Daily Report

Latin America

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Cuba

Bush 'Complains' About Soviet Cooperation

FL3107113491 Havana Radio Rebelde Network in Spanish 2300 GMT 30 Jul 91

[Text] During his first day in Moscow, U.S. President George Bush complained once again about Soviet cooperation with Cuba. The U.S. President spoke at the USSR Foreign Relations Institute and conditioned the broadening of relations with the Soviet Union with the solution to three existing differences. Those points of dissent refer to Soviet economic aid to Cuba, the status of four islands of the Kuril Archipelago which Japan claims, and the response of the Kremlin to independence intentions of the three Baltic Republics: Latvia, Estonia, and Lithuania.

In his welcoming remarks to the U.S. President, Soviet leader Mikhail Gorbachev expressed his concern because the advancement of political affinity between the two superpowers has not been in line with development of economic relations. Nevertheless, George Bush said it is very possible that the USSR and the United States can enter a new chapter in their relations and announced that he will work to give the Soviet Union the status of most favored country. This can give the USSR additional possibilities of exporting more goods to the U.S. market.

U.S. Visas to Cubans 'Temporarily Suspended'

PA3007145191 Havana Radio Havana Cuba in Spanish 1400 GMT 30 Jul 91

[Text] The United States has decided to temporarily suspend granting visas to Cubans who want to visit their relatives in the United States. A U.S. Interests Office official in Havana reported that the measure is due to the large amount of visa requests presented and to the lack of personnel at the consular office.

Russian Federation Health Delegation Arrives

FL3007181091 Havana Cuba Vision Network in Spanish 1700 GMT 30 Jul 91

[Text] [passage indistinct] The delegation, led by (Vladimir Ivanovich Mandrilin), president of the Health Commission of the Russian Federation Assembly, was met by Public Health Minister Dr. Julio Tejas and Dr. Arnaldo Torriente, an official of the National Assembly of the People's Government [ANPP]. (Ivanovich Mandrilin) stated to this news program that the aim of the visit is to hear about the revolution's achievements in the field of health.

[Begin (Mandrilin) recording in Russian with simultaneous translation into Spanish] As is natural, our visit opens the possibility for developing these relations in the future, keeping in mind the documents that have already been signed between our ministries and the search for new ways of future cooperation. [end recording]

The delegation of the Russian Federation Assembly Health Commission will remain in Cuba until 4 August. It will meet with the ANPP president, Health Ministry officials, and will visit hospital and scientific institutions. These will include the centers for immunoassay, placental histotherapy [histeterapia placentaria], and the meningitis B vaccine. They will also hear about the Cuban experience with the family doctor program.

Report on Oil Pipeline Network Project

PA2907234291 Havana Radio Havana Cuba in Spanish 0100 GMT 23 July 91

[Report by Barbara Bethancourt—passages within quotation marks are recorded]

[Text] When the decision was made to select Matanzas Bay, due to its unique characteristics, as the site for construction of the supertanker base where all the crude oil imported by Cuba would arrive, the decision was also made to build a pipeline network that would lead to the country's main refineries in Havana, Cienfuegos, and Santiago de Cuba. A decision had to be made on the starting point and the pipeline to the Cienfuegos refinery was selected.

According to architect Ramon de la Fe, the official commissioned to build the pipeline from Matanzas to the Cienfuegos refinery, the construction of which began in 1988, an oil pipeline to Cienfuegos is too big a project for Cuba alone, since there are not enough trained personnel and not enough machinery to undertake such a project.

[De la Fe] "Think of an oil pipeline as a factory assembly line, but instead of the product passing through the machinery, the machinery passes through the product. The only way we can defray the cost of an oil pipeline is precisely by building a production line. If we open a ditch, but do not establish the link, then it would not be profitable.

[Bethancourt] "For example, just to illustrate for our listeners. Does this mean that the first pipeline would start at the supertanker base—the dock specifically constructed for such tankers—and wind up at the refinery in Cienfuegos or another pier?

[De la Fe] "That is very interesting. It is very general, but you can say that it starts at the deep sea dock, at the supertanker base, then passes through the reservoirs of the tankers, and goes to the pumping stations, which propel it through the pipelines to Cienfuegos. In Cienfuegos, it goes to the refinery cisterns or if necessary, to the docks for loading onto coastal vessels or ships with less tonnage that are in the Cienfuegos area.

[Bethancourt] "You mentioned at the start of our conversation that Cienfuegos was very important to the construction of this pipeline. Does this mean that what has been done from Matanzas to Cienfuegos has also been done in the other direction?

[De la Fe] "The length of this pipeline is 168 km. In Matanzas Province, we have 133 km of pipeline, while in Cienfuegos we have 55 km. In this respect, to build as rapidly as possible, the construction was split into three fronts. We have called them the Matanzas front, the Cienfuegos front, and a central front which we have called Jaquey. Each of these fronts is approximately 50 or 60 km long. In Cienfuegos, the bulk of technical construction, is being carried out by the Soviets—in Cienfuegos, as well as in Matanzas and in other places. They are part of all three fronts.

"Now, in Matanzas [words indistinct] of the Construction Ministry—the beginning point—and in Cienfuegos the [word indistinct] of the Construction Ministry—the end point—there is excavation that is equally important. They directly take part in all civil construction of the two areas. The technical work is being done by the Soviets, and the part that relates to remote controls and communications is also being built by the Soviets."

Through our conversation with Mr. de la Fe, we were able to learn that everything is almost ready for the first stage, determined by the pumping capacity of the Matanzas-Cienfuegos oil pipeline, which is scheduled to begin operation before 26 July. More than 60 million pesos were invested to build the Matanzas-Cienfuegos pipeline.

[Bethancourt] "The situation now is not the same as when construction of the pipeline began. I mean, the international situation has changed, and the Soviet Union, in particular, has undergone changes. Its difficult situation at times hampers previous agreements. Has this situation not had repercussions here in [word indistinct]?

[De la Fe] "Not at all. The pipeline was worthwhile two years ago and it is worthwhile now, and it becomes more necessary with each passing day.

[Bethancourt] "Have the supplies kept coming? The Soviet contribution is not limited to just technical matters, but to the delivery of other materials.

[De la Fe] "The Soviet Union has guaranteed the supplies to build the pipeline. Despite the domestic problems the Soviets are now facing, the (Sarosetegrastroi) enterprise is very responsible and has been very concerned about this project. We have received significant support from the Soviet authorities and all supplies have arrived on the agreed date.

[Bethancourt] "Are Soviet experts expected to be here during the first phase of exploitation?

[De la Fe] "Certainly.

[Bethancourt] "How does an oil pipeline become introduced into the economic life of the country. What repercussions does it have? How important is it?

[De la Fe] "A pipeline is easily introduced into a country's economy. Most important, rather most difficult, is the initial investment to build it. As I told you before, these projects are rapidly amortized because they are cheap. All over the world, such lines are used to transport a variety of products. There are even attempts underway to conduct solid grains through such lines. It is the cheapest way there is right now. Oil has been carried through different types of lines of many years.

"All over the world, there are not just oil pipelines, because oil pipelines are a special type of pipelines, but also multiple pipelines [poliducto], which carry light oil products, and gas pipelines. The idea is that transporting such important, valuable, and easily paid off products as oil and its by-products should be made through pipelines. In other words, it is much more economical than transporting it via fuel trucks, for example, or even by train, although the latter is cheaper than fuel trucks, or by boat, which is even cheaper. An oil pipeline is definitely the cheapest of all."

In addition to the importance that this oil pipeline will have for our economy, its construction has been an opportunity for our construction workers to gain more experience building this type of facilities, as stated by Rolando Riveron, supervisor at one of the workshops.

[Riveron] "The enterprise is already capable—we are preparing for it and I believe the possibility has been mentioned—of going to Ecuador and Mexico soon."

[Bethancourt] "Is the Soviet technology used to build this oil pipeline modern, such that we would be considered experts in this field abroad?

[De la Fe] "At this time we can say that we are capable of handling the most advanced technology in the world for the construction of oil pipelines, including the technology of Western Europe, the so-called Italian technology, and the Soviet technology. At this time we could and are capable of competing anywhere in the world with the most advanced firms specialized in the construction of oil pipelines and oil facilities. As Riveron said, we have already been involved in some bids and international negotiations. Commercially, our prices are competitive, and our personnel are highly qualified. Our final product is very reliable, and this has been recognized by international construction firms engaged in this type of business. The construction of oil pipelines is very serious business anywhere in the world. It is carried out by large, prestigious firms with large reserves of capital. It is very serious business. Right now, we can—we are capable and we are doing it—compete with the most prestigious firms engaged in this activity in the world. Our institution, our enterprise, can do a good job anywhere in the world, not only in Latin America, but in any country, regardless of its climate or topographical conditions. Our personnel are well-trained and we have the necessary equipment to build oil pipelines anywhere in the world, there is no doubt."

* Home Delivery Service of Bread Described

91P40375A

[Editorial Report] Havana GRANMA in Spanish of 13 July 1991 on page 2 reports that more than 2,000

residents of Havana now have the option of having their daily bread rations delivered to their homes. This service will be performed by 11 bread delivery people—among them retirees and housewives who live in the area. The bread will be delivered in pushcarts constructed by the delivery people with the help of their neighbors. The president of the local People's Council said the initiative was introduced in order to spare people the bother of standing in line.

Details are being worked out regarding delivery schedules (delivery people should begin their rounds by 1100), construction of carts, selection of personnel, and plans to expand the service to include another bakery in the same area.

The new system has been well received by consumers, according to the Council president. A small charge paid by each consumer receiving the service is used to pay the salaries of the delivery people.

The Armada People's Council is considering expanding the system to include home delivery of milk and other products. The system is also being tested in other municipalities.

Dominican Republic

Opposition Groups Attempt To Paralyze Production

Strike Described as Failure

FL2907181291 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 29 Jul 91

[Text] The attempt by opposition groups to paralyze productive activity has been a resounding failure in Santo Domingo. Industry, commerce, and the trades are working normally throughout the capital, while mass transit is running without interruptions. Early this morning, some stores were closed before the normal hour for opening for customers. [sentence as heard] The situation began to normalize towards the middle of the morning. The general situation in the capital is absolutely normal, with thousands of people traveling in cars, buses, and all kinds of vehicles. Hotels, restaurants, and diners have opened their doors, while food stores, grocery stores, supermarkets, and general stores have been doing business without interruptions.

Situation Remains Calm

FL2907181991 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 29 Jul 91

[Text] The National Police spokesman has said that calm prevails in the country and activities are being carried out normally outside the capital. Lieutenant Colonel Juan Ramon de la Cruz Martinez has stated that up to now the citizens have continued their normal activities. He said that the populace has rejected the attempts by unscrupulous groups that are trying to sow terror.

On another matter, De la Cruz Martinez said that several persons have been arrested in connection with the explosion of two bombs early this morning at the Pan-American Bank branch office in Herrera. He stated that National Police agents are looking for the bank's night watchman to investigate him in connection with the explosions.

Strike Successful in North

FL3007135391 Santo Domingo Radio Mil Network in Spanish 1136 GMT 30 Jul 91

[Text] The regional strike committee defined as successful the general stoppage of activities in the northern region of the country and said that the protest will continue. Committee spokesman Andres Portillo said that the government, using tricks and strange maneuvers, is saying that the day of struggle was a failure, but that it is not true. Instead, the strike has been a resounding success in its first day in the northern part of the country, Portillo added in a press bulletin. Andres Portillo, the spokesman for the strike committee in the northern region, said that the government has set in motion a plan of intimidation, but this action has not prevented the protest from having its impact.

Merchants on Lack of Support

FL3007135491 Santo Domingo Radio Mil Network in Spanish 1056 GMT 30 Jul 91

[Text] Merchants Federation President Pedro Mercedes has asserted that 90 percent of the members of that sector did not comply with the call for a general strike made by labor groups and mass organizations.

[Begin Mercedes recording] Ninety percent of the organized retail and wholesale sector rejected the strike call for the first day, and it is expected that business activities will be 100 percent normal on the second day. According to reports received by the Dominican Merchants Federation from the different associations distributed throughout the country, we are told that they are working practically normally in almost all the towns with very few exceptions. There are perhaps two or three municipalities which have run into some kind of problem. [end recording]

FNP Leader Views Defeat

FL3007185091 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 30 Jul 91

[Text] The president of the National Progressive Force [FNP] stated that the failure of the general strike is a defeat for political conspiracies. Dr. Marino Vinicio Castillo spoke to "El Mundo al Dia" about the intense day of activities being carried out throughout the country in spite of the calls for a work stoppage. Vincho Castillo stated that we are witnessing a lesson the country is giving to irresponsible politicians, and added that recurring strikes as an opposition weapon has been discredited.

The FNP president asserted that a call for a strike can only be justified to defend the nation or the highest national

interests. Vincho Castillo explained that opposition parties and peripheral groups have abused this method and exceeded the country's patience in a series of senseless actions. The FNP leader believes that with the current rejection of a total strike, a method that was noticeably hurting the nation's economy is finally being buried.

Bosch Blames Timing for Failure

FL3007185591 Santo Domingo Radio-Television Dominicana Radio Network in Spanish 1600 GMT 30 Jul 91

[Text] Juan Bosch Gavino stated last night that the failure of the strike attempted in this country can be attributed to a mistake by its organizers. The political leader, who had fully supported the call for a strike, believes that it should not have been called for the end of the month. The president of the Dominican Liberation Party [PLD] believes that when thousands of white- and blue-collar workers are waiting for their paychecks, it is not a useful time for a collective protest.

Juan Bosch Gavino also stated that the strike attempted yesterday did not have the strength of previous strikes because people had lost the fear they had shown in other recent strikes. The PLD leader believes that during previous calls for strikes, the strikes were repeatedly denounced as promoting violence, and people stayed at home. Bosch Gavino said that the strike really is political, because it is being held to air demands that the government should respond to, and its status as a protest cannot be criticized.

Grenada

Reports of Hangings, Government Silence Persist

FL2907131991 Bridgetown CANA in English 1533 GMT 28 Jul 91

[Report by Richard Simon]

[Text] St. George's, Grenada, July 26, CANA—Persisting reports that five former Grenada Government and Army officials will hang before month end for the 1983 murder of Prime Minister Maurice Bishop and seven others, gained momentum here Friday.

Three of Grenada's five weeklies carried photos of the convicts, who the papers reported would face the gallows within the next four days. Included in the five were Bishop's deputy, Bernard Coard and two Army officers who were part of the firing squad that executed Bishop, three members of his cabinet and four other Grenadians.

But government officials declined to overtly confirm or deny the local press reports.

"No comment," declared Prime Minister Nicholas Brathwaite in response to a CANA query.

"I cannot understand where or how the press could have gotten a hold of that information, because we were all asked not to say anything to anyone," said a member of the mercy committee, which met for three hours last Friday to consider clemency pleas from the 14 whose appeals were turned down July 12 by the court here.

"We had a long and solemn meeting," said the official, who asked not to be named.

The 1983 assassinations climaxed a leadership feud between Coard's hard-line faction and Bishop's moderates in the then left-wing Peoples Revolutionary Government (PRG).

Inmates Begin 'Rehabilitative Work' on Gallows

FL2907135991 Bridgetown CANA in English 1612 GMT 28 Jul 91

[Report by Richard Simon]

[Text] St. George's, Grenada, July 28, CANA—Inmates at Grenada's Richmond Hill prisons have started rehabilitative work on the gallows, amid reports that five of the 14 persons sentenced to death for the 1983 murder of former Prime Minister Maurice Bishop will be hanged shortly.

A well-placed source told CANA a group of prisoners last Thursday began cleaning and lubricating movable parts of the gallows, last used in 1977 when four men were hanged for the rape and murder of a young woman. The gallows can hang three people at a time.

Government officials have neither confirmed nor denied weekend press reports that the mercy committee had recommended the executions after the 14 condemned persons—all former political and military figures in the ill-fated People's Revolutionary Government [PRG]—lost their final appeals earlier this month.

The Grenada TIMES and Grenadian VOICE newspapers said the five to face the gallows were former Deputy Prime Minister Bernard Coard, and former Army officers Callistus Bernard, Ewart Layne, Lester Redhead, and Leon Cornwall.

The Grenada TODAY newspaper also named Coard, Bernard, Layne, and Redhead, but mentioned Liam James, a former lieutenant-colonel, in place of Cornwall, who also served as the PRG's ambassador to Cuba.

Bishop, leader of the PRG, which ruled Grenada from 1979 to 1983, was executed along with three ministers and other colleagues during a coup on October 19, 1983. The coup climaxed a power struggle between moderates and radicals in the Marxist government.

The source said the behaviour of the condemned 14 suggested they had accepted their fate. Some were reported to have been converted to Christianity. The three newspapers said the hangings would occur before carnival early next month.

Sources told CANA a hangman from outside Grenada would be brought in to carry out the executions.

Haiti

Lafontant Sentenced to Life for Promoting Coup

PA3007125491 Paris AFP in Spanish 1207 GMT 30 Jul 91

[Text] Port-au-Prince, 30 Jul (AFP)—Dr. Roger Lafontant, 56, former head of the Tonton Macoutes (Duvalierist militia), was sentenced to life imprisonment by the criminal court of Port-au-Prince for promoting the coup d'etat against provisional president Ertha Pascal Trouillot the night of 6 to 7 January 1991.

Calls Trial 'Mockery'

FL3007151091 Port-au-Prince Radio Metropole in French 1300 GMT 30 Jul 91

[Text] A verdict was returned in the Lafontant trial which ended this morning. Of the 22 defendants, Paul Auguste, Decius Francois, Frank Miradieu Charles, and Gilbert Moise were sentenced to 10 years of prison and hard labor. Roger Lafontant, author of the coup-d'etat, Alphonse Lahens, co-author, Gerard Louis and the others were sentenced to prison and hard labor for life.

Roger Lafontant will take his case to the Court of Appeal. After the verdict was announced, he stated that the judges had torpedoed the trial. The jury in the court of assizes, presided over by Doyen Arnold Charles, refused to admit extenuating circumstances in Dr. Lafontant's case. During the entire proceeding, Lafontant refused to acknowledge the trial's legality, describing it as a mockery, and asserting that he was prevented from assuring his defense by a lawyer of his choice.

Citizens Banned From Leaving Country

FL2907184091 Port-au-Prince Radio Metropole in French 1600 GMT 26 Jul 91

[Text] Numerous citizens are banned from leaving the country. The public prosecutor's office issued two lists of citizens banned from leaving the country. Those named include a former mayor from Camp Perrin, employees of the Public Works and Transport Ministry, and employees of the National Office for Retirement. A total of more than 200 people are named as those banned from leaving the country.

Popular Organizations Oppose IMF Agreement

FL2907184191 Port-au-Prince Radio Metropole in French 1600 GMT 26 Jul 91

[Excerpt] Several popular organizations, including the National Alliance of People's Organization [ANOP] are demanding demacoutization in public offices. Yesterday, in a meeting with the press, these organizations also gave their opinion against a pending agreement between the government and the IMF. [passage omitted]

Jamaica

PNP Secretary General Announces Resignation

FL2907140391 Bridgetown CANA in English 1626 GMT 28 Jul 91

[Text] Kingston, Jamaica, July 28, CANA—Dr. Paul Robertson, general secretary of Jamaica's ruling People's National Party (PNP) for the last nine years, announced Saturday he was quitting the job.

Dr. Robertson, a senator and minister of information and culture, said his decision was linked to his plans to run as a PNP candidate in the next general election, constitutionally due in 1994.

Dr. Robertson formally informed delegates and observers at a meeting Saturday of the PNP's National Executive Council (NEC) that he would be resigning effective the first NEC meeting, scheduled for September 29, after the Party's annual conference. Robertson, in a statement, said he had served notice to the party since last year of his intention to step down.

Trinidad and Tobago

Jammaat 'Has No Regrets' Over Attempted Coup

FL2907125791 Bridgetown CANA in English 2235 GMT 27 Jul 91

[Report by Linda Hutchinson]

[Text] Port-of-Spain, Trinidad, July 27, CANA—The new leader of the Jamaat al Muslimeen, Ahmad As-Siddiq, on the anniversary of the organisation's attempt to overthrow the government here said mistakes were made, but the Jamaat has no regrets.

"In our critical analysis, we believe that mistakes have been made, and we have to live with our mistakes, and we have to work within the framework of Islam to spread our message of peace to the nation and build a better society," As-Siddiq told the Caribbean News Agency (CANA) on Saturday. As-Siddiq, who became leader of the organisation in December, said the events of July 27, 1990 were significant since it is now part of their history.

"We don't have much regrets. It's part of us and we cannot deny our history," he said at the Jamaat's headquarters mosque in Mucurapo, on the outskirts of Port of Spain.

"We have accepted what has happened, we have analysed the situation, and we recognise that mistakes have been made and we feel confident that we can work with the society. We hold out the olive branch in our hands, and I believe we are the path to the future for this nation."

Referring to [the] coup attempt which left more than 20 peeople dead, As-Siddiq said the mistakes of "haste, impatience...and things totally alien" to the aspects of Islam were made.

The former leader of the Jamaat, Yasin Abu Bakr, and 113 members of the organisation are now facing murder, treason, and other charges arising from the coup attempt that included holding Prime Minister Arthur Robinson and several members of Parliament hostage for six days.

On the first anniversary of the coup attempt on Saturday, members of the Jamaat gathered at the mosque for a day of prayers under the watchful eyes of policemen.

ANC's Mandela Continues Official Visit

Criticizes F.W. de Klerk

MB3007074691 Umtata Capital Radio in English 0700 GMT 30 Jul 91

[Text] ANC [African National Congress] President Nelson Mandela has threatened to pull out of negotiations with the South African Government. Speaking in Mexico yesterday, Mandela strongly criticized President F.W. de Klerk over the Inkathagate funding scandal. Mandela said the secret funding controversy alone is reason enough to strengthen international sanctions against South Africa.

Mandela has declined immediate comment on the cabinet reshuffle, although his organization's initial reaction to the changes has been less than enthusiastic. ANC Deputy President Walter Sisulu says the ANC demanded the removal of Vlok and Malan from the cabinet, not their shifting from pillar to post.

Meets President Salinas

PA3007234791 Mexico City NOTIMEX in Spanish 2200 GMT 30 Jul 91

[Text] Mexico City, 30 Jul (NOTIMEX)—President Carlos Salinas de Gortari today met with African National Congress (ANC) President Nelson Mandela, with whom he held a 30-minute private conversation at the official residence of Los Pinos.

Nelson Mandela briefed the Mexican president on South Africa's current situation as well as the ANC's activity.

President Salinas de Gortari reiterated Mexico's position against "apartheid" and any other form of racial segregation.

Salinas de Gortari invited Mandela to have dinner at the Los Pinos official residence tonight.

When he arrived at Los Pinos, Mandela warmly greeted Salinas de Gortari, stating: "Hello President Salinas, how are you?"

El Salvador

Handal: FMLN Seeks Participation in Elections

PA3007131291 Paris AFP in Spanish 2026 GMT 29 Jul 91

[Text] Mexico City, 29 Jul (AFP)—The Farabundo Marti National Liberation Front (FMLN) "will apply for registration as a political party" to participate in the 1993 presidential elections in El Salvador, it was reported by rebel commander Shafik Handal in a statement published today by the Mexican newspaper EXCELSIOR.

The FMLN, which has been involved in a peace dialogue with the Salvadoran Government for 15 months, seeks to go "from a military struggle to a political struggle, and we are taking the steps to create a party," Handal added.

The guerrilla commander said that his country's government "does not want to allow political opportunities to pass. We will seize the opportunities because we have earned the right, whether or not the government agrees. We will contribute to the attainment of peace" in El Salvador, a Central American nation that has suffered an internal military conflict for 11 years, with a toll of 75,000 dead.

"We will work so that the FMLN can participate in an open political struggle, because we have always been a political-military movement," he said.

"We will conserve the party identities and wealth of positions that the front currently has, and we will add others that coincide. The process is being carried out parallel to the (peace) talks and as a measure to exert pressure," it was stated by Handal, who leads the guerrilla delegation to the peace talks with representatives of President Alfredo Cristiani's administration.

Villalobos Interview on FMLN Positions

PA3007193291 Managua EL SEMANARIO in Spanish 25-31 Jul 91 pp 9-13

[Interview with Joaquin Villalobos, member of the Farabundo Marti National Liberation Front, FMLN, General Command, by EL SEMANARIO reporters Erick Aguirre and Luis Hernandez; place and date not given]

[Excerpts] [passage omitted] [EL SEMANARIO] Are there different interpretations of the current situation within the FMLN?

[Villalobos] Yes, but at this time we do not have strong differences. Nevertheless, I would like to refer to the fact that we are learning how to handle our differences. The problem with this is that it seems that the general tendency among revolutionary movements when such a question is asked is to deny that there are disagreements and to state that there is firm unity and that nothing will divide us. But that is not true. There are always some areas of disagreement because debate is precisely what generates and makes possible new ideas.

We are making an effort in this regard. We even hope to reach a point in the short term where we can openly deal with our differences. We are still discussing this, because we believe that by introducing external elements into the discussion, we are enriching it and this will lead to solutions. However, this is also linked to the attainment of a level of maturity that will permit one to apply the principle that such a debate must lead to a conclusion and to agreement. In other words, it must be understood that unity must be reached. The debate is to seek options; obviously, behind the debates there are self-interests of various sectors and areas. Because of their nature, their different roots, their social areas of influence, and the development they might have reached in a certain field (the political, military, social fields), each organization and branch of the front will adopt different political positions. What we are achieving in the FMLN is the ability to come to an agreement. In other words, something is clear: an agreement must be reached at a specific moment. The disagreement must be handled. It must be faced and developed, but it must be understood that at a specific moment, even if no agreement is reached and we cannot resolve the disagreement, we must deal with it.

[EL SEMANARIO] During his visit to Nicaragua, the Salvadoran archbishop said that there is great hope for peace but there is some skepticism among the people, as if the process of peace and negotiations is not viewed with credibility by the people. What real possibilities are there of attaining peace? What are the obstacles? What possibility is there of the United States having a positive effect on the negotiations?

[Villalobos] As for the attitude of the people following 10 years of a long, bloody, and difficult war—after there have already been several elections before and during the war, bloody periods during the insurrection, and a large level of military activity—all of this seems like a crossroads in which what is clear is that in this process, negotiation is the path that must lead to a basic structural change in El Salvador. Negotiation has been a banner and our political instrument practically since the war began. When we began to raise it as a banner, it was, well, a banner. Now the situation in the country is such that it would be very difficult for either of the two sides to turn back. Of course, we do not want to turn back.

We have laid the foundations for the negotiations. We have accepted the content of the negotiations, and all of this has been the result of our effort. We are aware that among the people there are obviously moments of skepticism. For example, when we were recently in Mexico discussing constitutional reforms, the right wing carried out a campaign in El Salvador so that no agreements would reached at that meeting. It was very important that agreements be reached in that meeting precisely to

resolve the problem of skepticism, to show that negotiation is the way out and to defeat the extreme right wing, which wanted nothing to come out of the meeting so as to maintain the idea of a general frustration. Those negotiations had many important results. Those results were the constitutional reforms that have yet to be ratified because the government is refusing to do so, but they already constitute concrete results. Another concrete result is the fact that a UN human rights verification mission will arrive in El Salvador on 26 July. It will be formed by many people who will be deployed throughout the country. We believe this is going to reduce the people's terror and fear of the security forces.

All of this stems from the idea that there are periods of skepticism, but we believe that the negotiations are the element that has to keep hope alive. The people want peace, but they also want change, and more specifically, they want the war to end but not to have things as they were at the start of the war.

[EL SEMANARIO] What will be the FMLN program if the FMLN attains victory?

[Villalobos] That is one of the things that is currently making us develop new ideas. When I said in my speech to the Sandinist congress that power is not the same as government, I meant that we have made analyses based not only on Nicaragua's process but also on our own reality. We believe we must create conditions for a new balance of power in El Salvador, which is the basis for a real democracy; if this does not exist, we will have achieved nothing. On what do we base what we call the balance of power? The problem is that if we, at the end of the war, were to end up as at the start—even if [political] opportunities were created for us—we would have the following thought: If there is no new balance of power and if fundamental changes have not been made, it is useless to win elections. However, if this has been achieved, it would be worth it to lose elections. Why? Because then there would be other substantial elements of power. Why do the negotiations become difficult at times? The fact is that we are not proposing that the government leave; we are proposing that there must be a change in the economic structure and basically in the agrarian issue, which is the main cause of the war in El Salvador. This is also evident in terms of the relation of forces. If there is a change in the economic structure, the current opposition would be left with an economic base. One thing is to be the party of the poor and another thing is to be a poor party. However much you win the elections, if you must confront those who control the banks, industry, and commerce, and who have the agrarian economic power, they are going to impose themselves on you and they will tell you what they want you to do. In other words, you will be unable to govern.

[EL SEMANARIO] What about military power? Would you accept the formation of a combined Armed Forces?

[Villalobos] We stress the need for a change in the Armed Forces, that is, percentage wise. This, with respect to the fact that there are two structures, two military forces of an entirely different nature (an army that is supposedly institutional but has a terrible lack of legitimacy and a rebel army that has achieved the partial institutionalization of its organization and controls territory and people's organizations, which allows it to withstand any type of situation indefinitely) leads us to favor the supression of the Salvadoran Army for a totally new and reformed Public Security Force. This would solve our internal problem and would defend our sovereignty, etc. We maintain this position for economic and political reasons. However, if this option is not currently possible, we believe that the military sector must be truly neutral because right now it is totally tied to the extreme rightist sector. They educate the military, which comes from their social sector. The United States infiltrates the education sector, and their education is geared to counterinsurgent, anticivilist thought that divides everything in two: the communist enemy and "the active sectors of the country." All these matters must change so that the military sector can develop a more modern and balanced concept of society where nobody uses the Army against any sector in society, as is the history of practically all of Latin America.

One of the Nicaraguan Revolution's main achievements was the formation of a totally balanced military sector that respects the constituted government and the people. The respect of civilian power does not only entail that government be respected. The people are the civilian power and they must also be respected. These are all new concepts. But how do we achieve them? We must negotiate and discuss this to see what can be done. However, the thought that we must disarm so that they can build an army based on the same structures—even if they purged it and took out several people—would turn things against us and would not give anybody security.

We have been clear about this. Maybe this would have been possible when the war started but 10 years do not pass in vain. In 10 years, the Army's atrocities have totally delegitimized it. Also in 10 years, another military sector was formed that attained its legitimacy. This sector does not consist of only four guerrillas but also professional military personnel. We must not forget that the United States invested $4 billion in El Salvador and quadrupled the size of the Army. They put into El Salvador all they had learned in Vietnam—leaving out things that experience had shown them should not be implemented—and it did not work. It was not that the Army was not capable. It is based on the fact that we created another situation. First we were a guerrilla and social movement and then a rebel force, which we still called armed masses (around 1981). But after four or five years everything was different. At this stage of the game, we have militarily done what we have wanted to do in the country. We have a tie now. The tie rests on the fact that we have a government that cannot govern due to a generalized state of war and an FMLN that cannot define the situation militarily. Thus, the tie. Here, the contras did not take Managua; they did not touch strategic

highways, and they did not change the correlation of military forces in an important manner. We have annihilated battalions and Army troops have had to cross the border to Honduras to flee from our forces. It is a war of large proportions.

[Villalobos] We say to ourselves: Who is responsible for the formation of this military, popular, and rebel contingent? The United States. They filled the region with weapons and decided that they wanted to win militarily in El Salvador. Obviously, every action generates a reaction and now this reaction must be taken into account in solving the problem. Nobody can disarm us or change the relation of forces if we are not taken into account. We must find other solutions to the problem. We have shown that negotiations are possible and that the FMLN cannot be disarmed. Thus we must be taken into account. After 10 years of war, we cannot simply tell an Army to surrender its weapons to another organization that murders priests.

[EL SEMANARIO] Have you tried to contact the U.S. Government?

[Villalobos] We have made systematic efforts to get the United States more directly committed, but we have not yet had the opportunity for an exchange. I believe that if they are indeed truthful about what they want for El Salvador, they have more in common with us than with the genocidal army they have supported.

Negotiations could be the way to reach an understanding. So far, we cannot say that the United States wants this war to end. Its analysis of El Salvador is excessively political and extremely ideological. Eastern Europe collapsed and the cold war is over, but the United States has not changed the excessively ideological nature of its analysis. The United States must change its dogmatic way of thinking. I believe it made a mistake in thinking that there would be no elections in Nicaragua, and that if there were elections and the FSLN [Sandinist National Liberation Front] lost, it would not surrender power. It did not think that the revolution would favor regional coexistence. I think the United States did not forsee all those things because it continued to follow the same pattern of thought: "The Communists are like that, they have a goal, and thus, they are bad and perverse by nature, and so on," but it backfired. We did what we had to here because it was a necessity and because it was in keeping with the need to make revolutionary changes. In my opinion, the United States must overcome that phase of ideological thinking. The world has changed and they join the game. They have well-defined interests. If one analyzes the behavior of Europe and the United States, one finds a world of differences. I have always wondered: "If the United States is as democratic as it claims to be, why has it prevented us from contacting its politicians? In Europe there is no problem with contacting politicians of any persuasion. That is political weakness and obscurantism.

It is obvious that we do not share interests, but we believe that coexistence with the United States must be part of the solution. We must take steps to achieve it, and the United States must do the same. We now see that they want to end the conflict and that is a positive development; however, they are more concerned with focusing on the FMLN's defeat than in reaching a democratic solution in the country. That is the problem. If they took steps that would make them realize that the FMLN is part of the solution, the conflict would probably end. We will continue to disagree with its policy toward Latin America henceforth, but from a totally different outlook on coexistence. [passage omitted]

Wrap-Up of FMLN Activity for 24-30 Jul

PA3107010391

[Editorial Report] (Clandestine) Radio Farabundo Marti in Spanish to El Salvador at 1621 GMT on 25 July broadcasts a three-minute report that says that the Farabundo Marti National Liberation Front, FMLN, "inflicted three casualties on the 1st Infantry Brigade during a clash at km 36 of the northern trunk highway in Aguilares in San Salvador Department on 24 July." The station adds that "more than 700 casualties have been inflicted on the Antidemocratic Armed Forces" during the first 17 days of the most recent campaign. Later, during the same report, the station adds that there was a clash between the rebels and the Arce Battalion in San Gerardo, San Miguel Department, which resulted in 15 army casualties.

Panama City ACAN-EFE in Spanish at 1752 GMT on 25 July, citing rebel and government sources, reports that "one soldier was killed in northern San Salvador, two soldiers and four rebels were wounded in clashes in the country's north and center, and two civilians were injured by an explosive device thrown at a house on the outskirts of San Salvador."

Mexico City NOTIMEX in Spanish at 1728 on 25 July, citing the Armed Forces Press Committee, Coprefa, reports that "in the past few hours, the army killed seven and wounded 17 rebels in Santa Elena, Usulutan Department. Four more rebels were killed in San Antonio Los Ranchos, Chalatenango Department. One soldier was killed in a San Salvador neighborhood and two more were wounded in Santa Tecla, La Libertad Department."

San Salvador Canal Doce Television in Spanish at 0350 GMT on 26 July reports that "in Santa Tecla, two soldiers were wounded during an attack by rebels at the Los Naranjos military base on 25 July."

(Clandestine) Radio Farabundo Marti in Spanish to El Salvador at 0036 GMT on 26 July in a three-minute report says that on 25 July members of the National Army for Democracy, END, "ambushed one military jeep and inflicted four casualties near Santa Tecla." On the same day, "the Atlacatl Battalion suffered three casualties during a clash in Guazapa. Heavy fighting in El Picacho and Cerro La Burrera in Chalatenango has resulted in three Bracamonte Battalion casualties. A military vehicle carrying national police members from

Sonsonate to San Salvador was ambushed near Zacacoyo, La Libertad Department on 24 July and six casualties were inflicted on the enemy."

San Salvador LA PRENSA GRAFICA in Spanish on 27 July on page 41, citing Coprefa, publishes a report that says that "five extremists were killed during a bloody clash in Hacienda El Seretal, near Suchitoto." The newspaper also reported "three soldiers were wounded during an ambush near Cerro La Montana, Nuevo Cuscatlan, La Libertad Department."

(Clandestine) Radio Venceremos in Spanish to El Salvador at 0044 GMT on 27 July in a three-minute report says that "one helicopter was damaged in San Miguel Department on 25 July during a three-hour flight to resupply the Arce Battalion. The END inflicted two casualties on Ponce Battalion on the Inter-American highway near Lolotique, San Miguel Department. Two more casualties were inflicted on Arce Battalion in Los Laureles at 1500 on 26 July. On 25 July, the END inflicted five casualties on the Air Force near El Sitio, Suchitoto, Cuscatlan Department. Two END members were killed. On 19 July, three transformers were destroyed over the coastal highway leading to La Libertad."

(Clandestine) Radio Farabundo Marti in Spanish to El Salvador at 1833 GMT on 27 July reports that "at 1100 on 25 July the END attacked members of the 3d Infantry Brigade's Ponce Battalion patroling near La Tronconada, Villa El Triunfo, Usulutan, seriously wounding two soldiers. On 19 July, urban commandos damaged three transformers near Los Horcones, Los Arcos. On 20 July, urban commandos attacked national police positions near the U.S. Embassy, seriously wounding one policeman. On 21 July, Belloso Battalion positions were attacked in San Bartolo. On 25 July, Salvadoran Air Force members detonated Claymore antipersonnel mines against END members in El Sitio, Suchitoto, Cuscatlan Department. Despite the surprise, the enemy suffered five casualties. Three END members were killed. On 26 July, one soldier from the Atonal Battalion was killed."

(Clandestine) Radio Venceremos in Spanish to El Salvador at 0017 GMT on 28 July airs a four-minute report that says that "791 casualties were inflicted on the antidemocratic Armed Forces from 3 to 26 July. These casualties include seven officers, 17 noncommissioned officers, and 10 prisoners of war. During the campaign, the following weapons were taken: 51 rifles of various types, five M-60 machine guns, five LAW M-62 rocket launchers, two M-79 grenade launchers, 14 ammunition belts for M-60 machine guns, five military PRC-77 radios, 44 grenades, 62 knapsacks, and 15,400 rounds of ammunition. In addition, 36 pylons and posts were blown up. One helicopter was damaged in San Miguel. Two military trucks and the San Nicolas Lempa garrison in San Vicente department were destroyed. Finally, 20 END combatants lost their lives."

(Clandestine) Radio Farabundo Marti in Spanish to El Salvador at 1610 GMT on 28 July 1991 reports that "the Atlacatl Battalion sustained six casualties today in El Rosario, Suchitoto, Cuscatlan Department. The same battalion sustained eight more casualties in El Zapote, Suchitoto, where END forces attacked the soldiers with rifle fire and 81-mm grenades."

Paris AFP in Spanish at 1549 GMT on 29 July, citing Coprefa, reports that heavy clashes on 28 and 29 July resulted in seven rebels and two soldiers killed and in San Jose Las Flores, Chalatenango Department, and three guerrillas and one policeman killed in San Isidro, Cabanas Department.

Finally, (Clandestine) Radio Venceremos in Spanish to El Salvador at 0032 GMT on 30 July reports that "END members attacked the Bracamonte Battalion and seized one 60-mm mortar. On 27 July urban commandos attacked the civilian defense headquarters in the Costa Rica neigborhood in San Salvador, where three civilian defense members were wounded. The garrison was partially damaged. END forces attacked treasury policemen guarding an electric energy substation in Ateos on the highway from Sonsonate to La Libertad killing one policeman and seriously damaging the installations."

FMLN Says No Members Reported Near Honduras

PA3107014391 (Clandestine) Radio Venceremos in Spanish to El Salvador 0003 GMT 31 Jul 91

[Text] Regarding the incident that occurred in Mapulaca, Honduran territory where, according to reports from Honduras, a Salvadoran guerrilla supposedly threw a grenade at some Honduran soldiers, we want to state that based on initial investigations, we have no reports of the presence of members of the National Army for Democracy within a radius even close to that border point.

At this time our forces are engaged in a military campaign in El Salvador's strategic areas to exert pressure on the Salvadoran Armed Forces so there will be progress in the negotiation process. It has not been and it is not the policy of the Farabundo Marti National Liberation Front [FMLN] to attack forces of sister countries and much less in Honduran territory. Some days ago, members of our general command were received at the presidential house by Honduran President Rafael Leonardo Callejas. We feel it makes no sense that an alleged Salvadoran guerrilla would have entered a Honduran community to hurl a grenade at Honduran soldiers.

We reiterate our willingness to maintain with the Honduran Government relations of utmost respect and we urge the Honduran Government and Armed Forces not to be hasty in issuing statements without first gathering all the facts surrounding this unfortunate incident.

Honduras

Foreign Minister 'Concerned' Over FMLN Attack

PA3007221391 Hamburg DPA in Spanish 2109 GMT 30 Jul 91

[Text] Tegucigalpa, 30 Jul (DPA)—Honduran Foreign Minister Mario Carias Zapata said today that yesterday's atttack

by guerrillas of the Salvadoran Farabundo Marti National Liberation Front (FMLN) is "serious" because it again brings tension to the Honduran-Salvadoran border.

The attack by an FMLN unit occurred on 29 July in the community of Mapulaca, in western Lempira Department, killing two people and wounding six, including three soldiers.

The Honduran foreign minister said that the FMLN had promised not to undertake actions or operations inside Honduran territory. He added that he is concerned about yesterday's attack.

Carias Zapata indicated that he will speak over the telephone today with Salvadoran Foreign Minister Jose Manuel Pacas to brief him on the incident and to ask the Salvadoran Government to investigate in its territory the violation of the border.

He said he has already issued a note to the UN Observer Group in Central America (ONUCA) so it will investigate at the site of the incident and prevent the presence of Salvadoran rebels in Honduras.

Foreign Minister Carias Zapata spoke to the press at noon in the government house after coming out of a meeting of the National Security Council.

Protest to El Salvador

PA3007234591 Mexico City NOTIMEX in Spanish 2214 GMT 30 Jul 91

[Text] Tegucigalpa, 30 Jul (NOTIMEX)—It was reported today that the Honduran Foreign Ministry has presented to the Salvadoran Foreign Ministry a formal protest over the violation of Honduran territory by Salvadoran guerrillas.

Foreign Minister Mario Carias Zapata explained that on 29 July he sent a formal protest to the government of President Alfredo Cristiani, requesting that the Salvadoran Government investigate and provide an explanation of the incident to Honduras.

Members of the Honduran Army and the Salvadoran Farabundo Marti National Liberation Front (FMLN) were involved in a clash yesterday at the Mapulaca border post. The clash left two people dead and six wounded, including three soldiers.

In this regard, the foreign minister said this type of incident "again brings tension to the Honduran-Salvadoran border region."

"The FMLN has said that it would not carry out actions in Honduran territory and we are very much concerned that this attack occurred," Carias Zapata added.

After meeting with acting President Jacobo Hernandez Cruz in the government house, the foreign minister said the UN Observer Group in Central America (ONUCA) is aware of the incident and will support the investigations.

Nevertheless, he said that troops will not be sent to the area where the incident occurred because Honduras "has not detected military activity by the guerrillas that could justify a larger deployment."

However, he said, each time there is such a serious attack, which causes casualties, measures are undertaken to reinforce the Honduran border posts.

Meanwhile, Government and Justice Minister Francisco Cardona Arguelles indicated that he will meet with the governors of the five departments on the border with El Salvador to draw up a contingency plan for the region.

He explained that the plan's objectives include providing greater security to the civilian population when such incidents occur.

Nicaragua

Quilali Militarized Following Rebel Attack

PA3107001791 Managua LA PRENSA in Spanish 27 Jul 91 p 20

[Article by Roberto Orozco B.]

[Text] Quilali—The government commission headed by Deputy Government Minister Jose Pallais has increased the war tensions in this town even more because of its decision to leave a strong military contingent, which has been rejected by 1,500 demobilized contras, who say they will support "El Indomable" in case of another attack.

Yesterday, 26 July, Pallais met with this town's municipal authorities, top police officers, army chiefs, and members of the CIAV-OAS [International Commission of Support and Verification of the OAS] as well as Commander "Rigoberto," representing the Nicaraguan Resistance, who at the last minute, abandoned the sessions saying the important topics for Quilali were not being discussed, instead the participants were discussing agriculture and economic problems and the disarmament of the civilian population.

While this was taking place, the demobilized contras, organized in their local association, reported on numerous cases of human rights violations committed by the police and the army once the attack on the town ended on Thursday, 25 July.

Nearly 30 persons were initially arrested because there were suspicions that they had supported the attack, which rebel troops, headed by "El Indomable" carried out against the police command.

Little by little the authorities began releasing those who were outside the circle of suspicious people. As of yesterday afternoon, 26 July, 13 people were still in prison.

Adding to the people's discontent was Pallais' decision to "reinforce" the town with a regiment of 150 policemen from the Special Forces and a company of 120 Sandinist People's

Army soldiers. This military presence is totally repudiated by the demobilized people and the civilian population.

In addition, the attack perpetrated by "El Indomable" on the police command post left the town partially destroyed. The walls in dozens of houses showed numerous bullet holes. Electric cables were blown off and trucks were damaged by the bullets.

The police post was hit by more than eight rounds of mortar fire, RPG-7 rockets, and M-79 grenades, better known as "little monkeys"—which leave 20-mm holes on impact.

Local police members explained to Pallais that the rifle and heavy weapons attack was actually a barrage of fire. The rebellious forces opened fire on the police post from the northern, southern, eastern, and western intersections—barely 100 meters from their target.

The clash began at 0430. The seven-hour clash shook the tranquillity of the local people, and the shots and the screams of those who were hit by the bullets were clearly heard. Only sporadic shots were heard by 1100 and the aggressors began to withdraw. The toll: two policemen dead and four wounded. One of the attackers was wounded.

The government's reaction was to send 150 policemen as reinforcements. Army forces were also sent. One hundred and forty men armed with AK rifles, RPG-7 rocket launchers, and heavy 7.62-caliber PKM machine guns took off yesterday morning for the mountains to catch "El Indomable"—which some demobilized fighters and local people consider deplorable.

Large-scale military operations using irregular warfare techniques began yesterday. Resistance commander "Rigoberto" said that "this could be the prelude to a new civil war in our country."

Both the Association of Demobilized Fighters and the municipal authorities in Quilali said that "El Indomable" decided to attack after the government rejected two requests from the rebel leader to meet with a high-level commission and seek a political solution to the conflict—which might get out of hand.

The rebel leader sent letters on two occasions to the government delegate in Esteli, Crisanto Castillo, stating his willingness to meet with the government to negotiate. Castillo sent a message to "El Indomable" through his delegate in Quilali, stating that Government Minister Carlos Hurtado said that they would not negotiate with criminals.

This statement was the detonator that prompted "El Indomable" to carry out his attack. Crisanto Castillo said to LA PRENSA that the rebel's letters set a deadline to meet with the government, or else he would attack the police post—a promise he kept.

The government is still analyzing the situation and will try to solve the problem. Meanwhile, Quilali has been militarized.

Debt Renegotiation Document Signed With Mexico

PA3007222391 Managua Sistema Nacional de Television Network in Spanish 0200 GMT 30 Jul 91

[Text] The Nicaragua Government today renegotiated with Mexico a debt in arrears totaling $1 billion, Presidency Minister Antonio Lacayo has reported. The $1 billion debt had been negotiated since February. Maria Lourdes Osorio filed this report.

[Begin recording] [Osorio] The principles document signed in February reflected the will of the Governments of Nicaragua and Mexico to renegotiate our country's $1 billion debt. The final negotiation document was signed today.

[Lacayo] This is important for us because it sets... [changes thought] first, it frees us from a debt of approximately $1 billion that we had accumulated with the Mexican Government. It virtually frees us from it for the time being. Also, it sets an example for the rest of the international community as to what treatment Nicaragua should receive from them.

We have very large debts with many countries that need to be rescheduled in the same manner that Mexico and Venezuela agreed to. I believe that this is very good for all of us. [end recording]

[Osorio] Nicaragua has a $7 billion foreign debt.

Panama

Endara To Negotiate Reduction of Base Personnel

PA3107042891 Panama City Circuito RPC Television in Spanish 2300 GMT 30 Jul 91

[Text] In an official statement, President Guillermo Endara said tonight that he is negotiating and will continue to negotiate with the United States, through its embassy in Panama City, a reprieve or postponement in the reduction of Panamanian personnel working on U.S. military bases.

It was also disclosed tonight that President Endara explained that the reduction in the Panamanian work force is in response to executive orders originating from the U.S. Government; and therefore, it has no bearing whatsoever on the status of the military bases, agreed to by the permanent neutrality of the canal estblished in 1977 and in effect until 31 December 1999.

The official statement, which is signed by President Endara, adds that it is incorrect to try to attribute the reduction of Panamanian personnel to the permanence of the military bases beyond the year 2000 [sentence as heard]. There is no relation whatsoever, it is conjecture, and not negotiations proposed by the Panamanian Government.

COPPPAL Official on U.S. Regional Policy

PA3107024691 Panama City LA ESTRELLA DE PANAMA in Spanish 26 Jul 91 p B-11

[Article by Nils Castro, executive secretary of the Permanent Conference of Latin American Political Parties, COPPPAL]

[Excerpts] A Central American presidents' meeting concluded on 17 July—the eve of the Ibero-American Summit at Guadalajara. Invited for a third time to a meeting of Central American presidents, the de facto "president" of Panama finally achieved an old U.S. purpose: The Central Americanization of his country and making Panama a member of the Organization of Central American States, the dependent integration project that has been rejuvenated for Central America. This is a doubtful victory for the geopolitical and geomilitary Panama, and above all, the historical and cultural Panama. Flatulent from his first diplomatic "achievement," Guillermo Endara poured himself to the reporters bragging that "we have always had a Central American vocation," a strange relief that leaves most of Panamanians confused. [passage omitted]

What can Panama find in Central America? The same as it produces but in less advantageous conditions. What does Panama lose as it separates from its Bolivarian neighbors? That which we do not have: The large markets, important sources of energy, brethren of greater economic and technolgical potential, countries and governments involved in integrationist programs that are better, more mature, and with greater possibilities. The evidence, among other things, is the fact that our commercial and financial exchange with Colombia or with Venezuela is significantly greater that what Panama has with all of Central America. [passage omitted]

The concept of Panama as a Central American country was always a U.S. project. It was a project that was essentially geostrategic, military, and very far removed from the nature, needs, and vocation of the country. In the meantime, when it is tied to the tail of Central America, Panama becomes unable to associate with its large South American neighbors in the defense of a national interest to get rid of foreign control. In particular, this means eliminating the U.S. military bases, and turning these installations and the canal area into the Colombian and Venezuelan port and the commercial knot for the Pacific, and into the Peruvian and Ecuadoran port and the knot for the Atlantic. In this manner, it could become the integrated pole of Bolivarian development, that is, the "Isthmus of Corinto" of the Gran Colombia that Bolivar planned.

This historical, integrationist orientation was picked up with great national interest by Torrijos, but it reached a deadlock as of 1984. As of that year, the U.S. pressure, the imminent economic crisis, the withdrawal of the Torrijism of the people, and the reactivation of the political power by the local oligarchy were expressed in several changes: The rise to power of the unfortunate military successor of Torrijos, General Ruben Dario Paredes, who tried to subordinate Panama to the U.S. project for Central America; the constitutional reforms that took away the participation of the people, as well as the election of the neoliberal Nicolas Ardito Barletta to the presidency of the Republic, who tried to make a bureacratic change in Panama, turning it into a caricature of Singapore. And then, there were the reactionary and compliant blunders of Eric Delvalle, the oligarch who replaced him.

In other words, there were a series of episodes through which the Torrijists stopped guiding the government policy, and were subjected to a clumsy militarized leadership deprived of ideology. It was the replacement of a liberating project with opportunism. It was a chain of events that led to a new isolation of Panama, the internal crisis, and the confrontation with the United States, which was later finished off by the invasion and foreign occupation of the country, and this lead to the destruction of a national state.

This isolation reached its greatest extreme with Guillermo Endara's self-proclaimed "government," installed through the U.S. military intervention. This "government" was marked by illegitimacy, neocolonial surrender, incoherence, corruption, and failure. As a result, the "rulers" have no hope of being received anywhere regarded as serious; they only count on Washington—where they are already seen as a nuisance—and in some Central American capitals, which are White House clients. This is why they finally decreed Panama's unexpected Central Americanization, totally contrary to national interest, history, culture, the nation's independence, and development. Nevertheless, this is the sole diplomatic "success" Endara and Linares can display, which in turn shows what they are.

The discredit of the regime installed in Panama can only explain the illogical action simultaneously taken by Bogota and Caracas. When the Group of Rio met in the Venezuelan capital—where Panama's expulsion was agreed upon—it was precisely Gaviria and Perez who held a news conference to report the decision that had been made. When a reporter asked who would represent Panama before the Group, they replied that this representation would be taken up by the nation that represented the Central American nations as a group. In this manner, they [the Group] freed themselves from what Endara depicted, casting Panama out of history and away from its respective Bolivarian responsibilities.

Had the presidents of Argentina or Uruguay made such a faux pas, it could have been explaned. But, precisely those who did make this blunder in Caracas at one time or another must have had the map of Gran Colombia [republic formed by Venezuela, Colombia, and Ecuador in 1819] before them. Gaviria, particularly, in his youth must have resented the U.S. intervention and consequently the tearing away of Panama. In other words, Presidents Gaviria and Perez—confessed integrationists—share a responsibility before the Gran Colombia

reintegration and, together with their colleagues from Ecuador, Peru, and Bolivia, before the Bolivarian integration. Before this Bolivarian integration, their successors had committed themselves in Cartagena to Panama's normal return to democracy and its reincorporation.

Panama's reincorporation can only be accomplished by a legitimate and respectable government, certainly different from the one sworn in at a U.S. military base on Fort Clayton—while the invaders bombed Panama City on that ominous 20 December 1989 night. This will only be accomplished by a democratically elected government, without foreign meddling. This can only be accomplished under Latin American auspices, and the first ones responsible are the Gran Colombians and the Bolivarians. [passage omitted]

Newspaper Seeks Departure of U.S. Ambassador

PA3007220391 Panama City EL DIARIO INDEPENDIENTE in Spanish 30 Jul 91 p 4

[Editorial: "Go Home, Mr. Hinton"]

[Text] With his poor Spanish, the U.S. Ambassador frequently haggles over the scarce and far-flung aid that his government reluctantly gives to Panama. It seems too evident that the new U.S. diplomatic policy in our country is to misplace confidential papers and documents and to foster campaigns in specific newspapers to discredit our top officials. We have patiently tolerated everything, perhaps, because we are grateful for the "favor" they did to us by taking their scintillating spy to Miami.

It is true that Panamanians are divided in regard to the Endara administration and whether it is efficient or not, if the police force is working properly or not, and if the students were right in acting as they did during the recent disturbances. However, it is our privilege—not Mr. Hinton's privilege because he is not a Panamanian—to discuss our domestic affairs. Panama's internal affairs are to be discussed among ourselves. It bothers us and makes us feel uncomfortable that Mr. Hinton feels he has the right to meddle in matters that are none of his business because he is a foreigner and a diplomat.

The arrogant and snooty U.S. spokesman has said that Endara lacks leadership and he found it appropriate to applaud the thrashing our police gave the students. He said: "They (the policemen) did correctly. They (the students) have to continue studying in their schools and leave POLITICS TO THE POLITICIANS." As the most uncouth "redneck" [previous word in English] he lashes out against us with a big club in his hand and the Panamanian media and government keep the most absurd silence. The U.S. diplomat has gone too far in his gross interference in affairs that only concern us as a sovereign and independent nation. With what right Mr. Hinton? With what right do you dictate the rules to anyone in this country?

His hairy, coarse hand deserves a good bite by those of us who still believe in the possibility of turning Panama into a country of strong men who are proud of their nationality. It is time that someone—in the name of this land that still resists colonization, that saw our birth, and whose sovereign dignity we swore to defend—confronts him, as we would not like him to leave with the unpleasant impression that all Isthmians have backbones made out of jello.

We do not need or appreciate the ambassador's criticism of students, applause for the police, and irritating intrusions. Whatever satisfaction we have in our hearts because the gringos made the tyrannical Panamanian CIA spy disappear can soon turn to an irreconcilable antagonism if in exchange for Mr. Noriega we now discover that the gringos have sent tyrant Mr. Deane Hinton to replace him.

Argentina

BCCI Authorization To Operate as Bank Revoked

PY3007223291 Buenos Aires TELAM in Spanish 2152 GMT 30 Jul 91

[Text] Buenos Aires 30 Jul (TELAM)—The Central Bank Board of Directors this afternoon abrogated the authorization for the Bank of Credit and Commerce International (BCCI) to operate as a foreign capital commercial bank.

The measure, which TELAM was given a preview of by Manuel Domper, a Central Bank director, will be sent in the next few minutes to financial organizations.

The local BCCI branch is located at 579 Reconquista Street of this capital, but it does not have any deposits in dollars or australs due to precautions that were taken by the Central Bank, Domper stressed.

Judge Raids BCCI Headquarters in Buenos Aires

PY3007231691 Buenos Aires TELAM in Spanish 2252 GMT 30 Jul 91

[Text] Buenos Aires, 30 Jul (TELAM)—Judge Maria Servini de Cubria has reported that during the course of the day "the headquarters of BCCI [Bank of Credit and Commerce International] was raided," but "for the time being" she did not reveal the case—narcodollars laundering—to which the raid was linked.

In a brief communique stamped with the judge's rubber stamp showing the time 1915 [2215 GMT], the judge stated that "as of this morning, work was being carried out" with personnel from the Federal Police's Crime Prevention Division. She visited the bank during the afternoon along with Prosecutor Oscar Siruzzi.

Justicialists Submit Bill on Drug Commission

PY3007191291 Buenos Aires TELAM in Spanish 1119 GMT 30 Jul 91

[Text] Buenos Aires, 30 Jul (TELAM)—The bloc of Justicialist deputies, through its leader Jose Luis Manzano, has presented a bill proposing the formation of a bicameral commission to investigate drug trafficking, as requested by the executive branch.

Presidential Secretary General Eduardo Bauza last night reported that this bill has been presented on President Carlos Menem's precise instructions to the Justicialist deputies.

In remarks at the Government House, Bauza said that Menem made this decision after consulting with Vice President Eduardo Duhalde, Manzano, and Bauza.

The commission will comprise 14 deputies and a number of senators to be determined by the Senate. The commission will have a 120-day term of office, which can be extended by a decision of the two chambers of Congress.

The bill says that the commission "will investigate all crimes linked to drug trafficking and compile information seeking to break up the organizations involved in these illegal actions and in the laundering of foreign exchange obtained from drug trafficking."

The bill also adds that the commission "will have ample powers to investigate all these cases."

The bill states: "The powers bestowed upon Congress are delegated," as follows:

The commission can "summon the witnesses it deems appropriate" and "prevent anyone under investigation from leaving the national territory without authorization. To this effect, the commission can request the use of the national or provincial public force."

"Whenever appropriate, the commission will have the power to maintain the secrecy of proceedings. The commission will decide on when to publish its resolutions and proceedings."

The formation of this bicameral commission is based "on the magnitude of the activities of the powerful organizations linked to drug trafficking and the surprising range of activities that these drug trafficking activities can contaminate, both in official and private sectors."

The bill mentions "large operations" like "the White Coal, Shrimp, North Wind, and other operations," and those recent operations like "the Bank of Credit and Commerce International (BCCI) affair," according to a fax sent tonight by the Justicialist bloc of the Chamber of Deputies.

With respect to the BCCI, the bill indicates that in our country the BCCI "has demonstrated its ability to negotiate with two democratic administrations," while "demonstrating a singular versatility to involve itself with those involved in laundering narco- and arms-sales dollars."

With respect to this and to the activities currently carried out by Federal Judge Maria Servini de Cubria, the bill indicates that the judge "is carrying out a publicized investigations into a case involving considerable political sensitiveness."

The bill adds that the issues investigated in this case "have international repercussions." This case "involves high-ranking public officials and those who are laundering foreign exchange of questionable origin," the proposal concludes.

Duhalde Wins 'Landslide' Victory in Primaries

PY3107010691 Buenos Aires BUENOS AIRES HERALD in English 30 Jul 91 p 11

[Text] (NA-DYN)—Vice-President Eduardo Duhalde yesterday offered former Federal Judge Alberto Piotti the second place in his list of Lower House candidates in Buenos Aires Province. He also anticipated that CGT [General Confederation of Labor]-Azopardo leader Saul Ubaldini "will run with the Justicialists in the elections."

and forecast "we will undoubtedly defeat" the Radical ticket headed by former Lower House Speaker Juan Carlos Pugliese in the September 8 elections.

After winning a landslide victory in Sunday's [28 July] primaries—where he obtained between 81-83 percent of the vote for the Justicialist gubernatorial candidacy—Duhalde announced that "as from tomorrow (today) I will meet with all internal sectors to form a definite list of candidates."

Piotti—who had already launched his gubernatorial candidacy for the Autonomist Party of Jose Antonio Romero Feris—has not answered the offer yet, but Duhalde aides considered he would accept. These sources were more pessimistic about Ubaldini, who is being asked to form a parallel-list of candidates for deputy supporting the Duhalde-Rafael Roma gubernatorial ticket.

The Vice-President will begin a leave of absences this Thursday to work on his electoral campaign. If he wins the polls he will have to step down from his current post but if he loses, he has said he will also present his resignation before the Legislative Assembly.

Duhalde made it clear that his rival in the primaries, San Martin Mayor Carlos Brown, will not be offered a place in the list of deputies. Brown, who admitted yesterday that Duhalde's campaign "was better," said he had no hopes of participating in the September 8 polls.

Ubaldini, in turn, had already launched his candidacy for governor outside the party structures, prompting several Peronist leaders to ask for his ouster from the party. But Duhalde was confident he could persuade Ubaldini to take part in the Justicialist campaign "because he has great experience as a leader and a militant, was born a Peronist and will die one."

Yesterday President Carlos Menem urged Duhalde and Brown to "work together to guarantee a victory for the Peronists in the elections."

The President considered that the party has "the mission of making dissident sectors join the main branch of the movement" and highlighted the importance of Sunday's primaries as "proof that there is democracy within the Justicialist Party."

Luis Barrionuevo, the controversial restaurant workers' leader who backed Brown and blasted Duhalde during the primary campaign, said yesterday that he accepted defeat "like an English gentleman." Barrionuevo said card-carrying Peronists had cast a "vote of confidence in favour of the national government and its economic programme."

In turn, Pugliese said he was not surprised by Duhalde's victory. "I always knew that my rival would be Duhalde," he said, adding: "My political instinct tells me that I'm going to win."

Duhalde had words of praise for Pugliese and for veteran Intransigent Party leader Oscar Alende, who runs for governor in a centre-left coalition.

"Pugliese and Alende are models for new leaders, they are well-meaning men who have dedicated their whole lives to a transparent career in politics."

In related developments, former Catamarca Governor Ramon Saadi, who won single-list primaries in his province, said yesterday that he continued being "a close friend of President Carlos Menem" despite the fact that the head of state placed Catamarca under federal control and replaced him as governor. "This week I will visit the President," Saadi announced. The internal opposition led by Federal Judge Efrain Rosales Saadi called on its members to boycott the polls, while the dissident line of provincial Deputy Miguel Marcolli decided to join a Civic Front with the Radicals and a dozen other political groups to confront Saadi in the coming elections.

Interior Minister Figueroa Departs for France

PY300718291 Buenos Aires Radio Nacional Network in Spanish 1600 GMT 30 Jul 91

[Reported by Silvina Martinez Porta from the Government House]

[Excerpts] In an unscheduled and unusual encounter, Interior Minister Julio Mera Figueroa met with President Carlos Menem very early this morning.

The interior minister announced after the meeting that he will leave for France this afternoon at 1700 to talk with his French counterpart, with whom he will review the consequences of the court ruling that annulled a contract with France on the supply of identity documents to Argentina by the (Sofrenis) company. [passage omitted]

Mera Figueroa added that he will try to return to our country in time for U.S. Vice President Dan Quayle's visit. [passage omitted]

Official Fired for 'Lambasting' Border Policy

PY310700589l Buenos Aires BUENOS AIRES HERALD in English 30 Jul 91 p 11

[Excerpt] (NA)—Foreign Minister Guido di Tella will brief the Lower House foreign relations and defence committees today on the border controversy between Argentina and Chile.

Di Tella hopes to obtain congressional approval for the border agreement to be signed in Buenos Aires on Friday [2 August] by Presidents Carlos Menem and Patricio Aylwin.

Yesterday, National Frontiers Development Director retired Border Guard commander Francisco Arrua was sacked for lambasting Foreign Ministry policies.

Arrua said the row over the southern Laguna del Desierto area "worsens when we have frivolous and irresponsible authorities" like Di Tella and Deputy Foreign Minister Juan Carlos Olima.

National Frontiers Superintendent Pablo Garguilo was quick to disqualify the statements of Arrua. He stressed

that the entity he heads, under Defence Ministry jurisdiction, did not endorse the views of the sacked officer.

Arrua warned that pragmatism could not be favoured over sovereignty issues, because "commercial agreements may be long-lasting or short-lived."

"Like many others, he's more interested in being patted on the shoulder by a jet-set personality or in getting some decoration than in spreading information on Argentina's rights," Arrua said of Di Tella. [passage omitted]

European Parliament Group Studies Bilateral Ties

PY3107005691 Buenos Aires BUENOS AIRES HERALD in English 30 Jul 91 p 11

[Excerpt] A 23-strong European Parliament delegation yesterday wound up a five-day visit to Buenos Aires and will spend today in Rosario before heading for home. The main object of their visit was to maintain ties with congressional colleagues in this country and study the development of ties between the European Community (EC) and Argentina since the framework agreement of April 2, 1990.

The European parliamentarians were hosted by President Carlos Menem, his predecessor Raul Alfonsin, Lower House Speaker Alberto Pierri, Foreign Minister Guido di Tella and City Mayor Carlos Grosso among others. They were briefed on the economic and structural changes underway in Argentina by Deputy Economy Minister Carlos Sanchez. Throughout their stay they were accompanied by Diego Guelar, the Argentine ambassador to the EC, and Vittorino Allocco, who heads the delegation of the EC Commissions in Chile.

The visitors showed special interest in the MERCOSUR [Common Market of the South] Southern Cone common market project between Argentina, Brazil, Paraguay and Uruguay, saying that the EC would offer every support.

Delegation vice-president Luciana Castellina of Italy departed from the schedule to greet the Mothers and Grandmothers of Plaza de Mayo last Thursday [25 July].

The delegation was headed by Spanish socialist Manuel Medina Ortega. Britain was represented by Richard Simmonds (Conservative) together with Stan Newens, Imelda Read, Gary Titley and Anthony Wilson (all Labour). The European Parliament's Socialist Group were the single largest bloc with Heinke Salisch (Germany), Martine Buron (France), Marc Galle (Belgium) and Luis Marinho (Portugal) apart from Medina Ortega and the four Labour MPs [members of Parliament]. There were six parliamentarians from the Christian Democrats or allied parties: Second Vice-President Georgios Anastassopoulos (Greece), Pol Marck (Belgium), Marlene Lenz (Germany), Jose Carvalho Cardoso (Portugal) and Gerardo Fernandez Albar and Carlos Robles Piquer (Spain). There were two Greens (Claire Joanny of France and Juan Maria Bandres Molet of Spain).

* Di Tella on EC Subsidies, French Investments

91SM0403A Buenos Aires LA PRENSA in Spanish 3 Jul 91 p 1

[Text] Foreign Minister Guido Di Tella yesterday expressed to his French counterpart, Roland Dumas, the Argentine Government's "serious concern" over the agricultural-subsidies policy that the countries of the European Economic Community (EEC) are pursuing.

The French minister accepted the "reasonableness" of the Argentine complaint but justified the policy as protection for European farmers, spokesmen for Argentine diplomacy confided.

Di Tella met with Dumas as part of his three-day tour of France, during which time, it was announced, two accords that will guarantee French investments in Argentina are to be signed.

The first, signed yesterday, calls for judicial cooperation between the two foreign ministries, and the second, to be initialed today, concerns safeguards and guarantees for investments.

The judicial-cooperation document complements the investment-safeguards treaty, "for example, in the event that an investor turns to an international court, and the foreign ministries need to intervene," Di Tella explained in Paris.

Speaking at a press conference at the Argentine Embassy in France, the man in charge of San Martin Palace revealed that he and his counterpart "have begun talking about the possibility of an accord with France that is somewhat analogous to the preferential accords that we have signed with Spain and Italy."

In this regard, Buenos Aires diplomatic spokesmen said that Argentina wants the credit lines made available under the accords "to be used by the private sector in our country to take part in the privatization process, mainly in the areas of financing and consulting."

During his talk with newsmen Di Tella admitted, in another vein, that Argentina is looking into the possibility of withdrawing from the movement of nonaligned countries. "A group that calls itself nonaligned no longer makes sense today now that the East-West conflict is over," he emphasized.

Aerospace Development

He also confirmed that Argentina is prepared to sign the Tlatelolco Treaty on the nonproliferation of nuclear weapons in Latin America.

In this connection, it bears mentioning that the foreign minister had a working breakfast yesterday with the director of the European Space Agency, Jean Luton, whom he briefed on the "new stage that Argentina has begun in aerospace development" after the cancellation of the Condor II missile.

Di Tella and Luton agreed to a meeting of specialists from the two countries to analyze what sort of cooperation can be established in the aerospace field.

Meeting With French Socialist

During his second day in France the Argentine foreign minister also made contact with the executive secretary of the French Socialist Party, Pierre Mogua, whom he familiarized with the changes in Justicialism's political philosophy.

The two agreed that the differences between parties from now on would lie more in the importance that they attach to social policy than in their view of the course of the world economy, which is headed towards "opening and integration."

Meeting With Businessmen About Privatization

Guido Di Tella also met with leading French businessmen, whom he briefed on the privatization process under way in Argentina in the areas of transportation and energy.

On this occasion the foreign minister expounded on "the new economic model" implemented in Argentina after Carlos Menem's administration took office.

Attending the meeting at the headquarters of France's National Council of Employers were the undersecretary of privatizations, Mario Guaragna, and officials in the Argentine Undersecretariat of Transportation.

Spokesmen for San Martin Palace said that at the gathering the officials and specialists explained the operations of the enterprises Argentine Railways and the Buenos Aires Subway, making use of specially designed scale models and maps.

Di Tella outlined the political characteristics of this new policy, emphasizing that in Argentina "there are reliable ground rules that make for good business."

The delegation of French businessmen consisted of representatives from the firms Acatel, Dumes, Banco Paribas, the Paris subway, and French railways.

The Argentine foreign minister will have a working breakfast today with the president of the French Institute of International Relations, Thierry de Montbrial.

He will then go to the Ministry of Industry and Foreign Trade to sign the accord on safeguards and guarantees for investments with Strauss-Kahn.

Di Tella will attend a luncheon that will be held for him by France's Deputy Foreign Minister Alain Vivien, and in the afternoon he will visit the Chamber of Deputies to meet with the chairman of the Foreign Affairs Committee, Michael Vauzelle, and with the interparliamentary group for Franco-Argentine friendship, which is headed by Deputy Michael Grepeau.

* Strict Measures To Combat Tax Evasion Planned

91SM0403B Buenos Aires CLARIN in Spanish 1 Jul 91 p 14

[Text] Over the next 12 months the Executive Branch will take steps to end the tax-revenue shortfall. Such decisions, it is felt, will lead to the closure of up to 400 commercial establishments a month.

As promised in the letter of intent to the IMF on Thursday, the administration will begin a serious battle against tax evasion, a social problem of monumental proportions in Argentina.

According to the figures published in various economic studies, since the days of Juan Sourrouille it is officially agreed that "the underground economy is twice the size of the legal one." At present, Domingo Cavallo, Carlos Tacchi, and Ricardo Cossio, who are, in that order, the three highest officials in this area, admit that evasion of the VAT [value added tax] totals more than 50 percent; this also applies to social-security contributions, and evasion is probably even greater in the case of the profits tax.

The measures that will be taken to stem tax evasion appear in an annex to the letter of intent submitted to the International Monetary Fund. In order for the DGI [General Directorate of Taxation] to achieve the desired success, it will be receiving technical assistance from the IMF and the World Bank.

The following are the new tax decisions for the July 1991-June 1992 period:

- Tax returns can start being filed in July, before taxes are paid; this will require a substantial improvement in the computer data base and the training of DGI staff.
- In August the number of taxpayers monitored by the Directorate of Major National Taxpayers will rise to 2,000, and in September the main taxpayers will be monitored in 30 regional offices around the country. In May 1992, the number of major taxpayers monitored by the regional offices will jump to 30,000. In other words, auditing will be decentralized, because so far everything has gone through the main offices in Buenos Aires.
- Action is also expected to be taken against small- and medium-sized taxpayers. As of July changes will be made in the system of auditing those who have failed to submit their tax returns, and as of August the rules will be changed for issuing invoices for transactions subject to the VAT.
- The main action to be taken against small- and medium-sized taxpayers, however, is that as of August 1991 an average of 400 establishments a month will presumably be shut down for violating the DGI regulations on issuing invoices. What is surprising, in this regard, is that the closure of major establishments is not being called for, just smaller ones.
- In September, changes in tax laws will boost fines for

the late filing of tax returns or for failure to file, and the procedures for assessing fines will be streamlined.
- In October a simple system for monitoring tax payments in arrears and for cross-checking information on purchases and sales will be implemented.
- In December 1991 the system of VAT withholding at the source will be looked into, and in January 1992 a system will be put in place to select taxpayers for audit.

Some 60 companies a month were already being shut down in the last quarter of 1990, and at present the fines have been increased considerably, and the actual payments of the main taxpayers are being published monthly.

In addition, the 1,000 largest taxpayers, who account for 65 percent of domestic tax revenues, are being closely monitored.

* Controversy Over YPF Privatization Plan

91SM0403C Buenos Aires CLARIN in Spanish 30 Jun 91 p 17

[Report by Ana Ale]

[Text] The privatization of YPF [Government Oil Deposits] is somewhat up in the air, as legislators and consultants disagree on how the state-run oil company ought to shift to the private sector. The consulting firm McKinsey is insisting on a somewhat drastic approach: everything from oil fields to refineries has to be sold "no matter what." To make their proposal attractive, they say that the government would make $1 billion off the transaction. The lawmakers, steering a middle course, first want to revamp the company and then sell it.

The officials of the World Bank are getting two signals about the timing and method of selling off most of YPF's assets. One is coming from the same source that drafted the plan to overhaul the country's number one enterprise: the American consulting firm McKinsey. The other is coming from Congress and is making itself heard louder in the offices of the legislators who, enjoying good luck and showing good instinct, opposed the slashing of the salary bonus.

Rather than having opposing interests, the two groups think that they have the recipe that will make for a better pie. McKinsey is asserting that YPF has to be privatized "no matter what," oil-bearing basins, vessels, refineries, pipelines, and other assets, in less than a year. The representatives of the major parties in Congress are sticking to the role that a legal vacuum has assigned them: they have to give permission to broaden the scope of the YPF overhaul, which was not included in the government-reform laws.

The consensus among deputies and senators seems to be, first discuss the reform of YPF (the blocks of shares and their ownership) and then decide what to do with its assets. Five bills are making the rounds, and not all of them call for selling off most of its capital.

As far as the representatives of Mckinsey in Argentina are concerned, the solution is different. They say that selling the assets and activities of the state-run oil company (see table below) will assure the administration revenues of close to $1 billion. This, however, will not be the most "beneficial" effect; that will be the $4 billion increase in the value of YPF as a company once it has gotten rid of its "dead weight." Only then, they speculate, should shares in the company be offered to private capital. To prevent it from becoming "spoils" for whatever administration happens to be in office, they argue, the company ought to be mostly private.

The overhaul proposed by McKinsey and backed by the head of YPF, Jose Estenssoro, would have sweeping consequences. Indeed, it would mean cutting back the payroll by 18,000, letting go totally or partially of two of the five oil basins under development in the country, and reducing marketing to the bone.

Of the 6,000 direct customers that the state-run oil company has, only 40 ought to remain, in order to optimize its operations. Of the 2,900 service stations that it runs, it would keep only those that sell more than 150,000 liters of fuel a month.

The year 1993 is the deadline for implementing the new model. By then the deregulation of the oil market, which began on 1 January 1991, will be in full effect. To avoid delays, ways of overcoming the obstacles that Congress could erect are being looked into. For example, some experts are contending that a partnership with private capital to develop the two basins (southern and northwestern) does not require the prior approval of the lawmakers. Three of the six state-run refineries could be leased out under operating contracts. The approach would be similar for the fuel-shipment plants and vessels.

There are interested buyers for each of these sectors. Astra is being mentioned as a prospective purchaser of the fleet; Pluspetrol, Texaco, and Shell for the northwestern basin and the Campo Duran refinery; the French firm Total (which is developing a rich deposit in the southern part of the country) and Astra for the southern basin; and Dapsa for the Dock Sud refinery. There are reportedly no buyers for the San Lorenzo refinery, the oldest one in operation, and it will most likely be thrown into the bargain when some other asset is sold off, or else it will be closed without further ado.

With the World Bank as arbitrator, some legislators, led by those from the ruling party, have begun to play their old tricks. Their politics contain a clear message: "The same thing that happened to Terragno cold happen to you." This was not their only reference to the defeat of the former minister of public works and services in his attempt to privatize Aerolineas Argentinas and Entel [National Telecommunications Enterprise] during the Alfonsin administration. Alan Thays, the head man at the World Bank, received a note from a group of lawmakers. They told him that "there can be no real privatization without congressional backing," suggested

that "anything that is done without such approval may be revised," and warned that domestic and foreign companies would presumably not be interested in deals that are not guaranteed on all sides, the economic and political sides that is.

Transforming YPF

Sector	Measures Anticipated
Exploration	Sale of drilling and geophysics assets; expected profit margin: 20 percent
Production	Sale of northwest basin; partnership (50 percent) in southern basin; improvements in costs, productivity, and investment; increase in company value: $2.3 billion
Refining	Close San Lorenzo refinery; sell Campo Duran and Dock Sud refineries; optimize output, lower costs, and boost capacity at La Plata, San Juan de Cuyo, and Plaza Huincul; increase in company value: $540 million
Marketing	Overhaul all activities through partnerships and transfers of assets and activities; savings: $600 million
Pipelines	Partnerships (50 percent) in all oil pipelines and multipurpose pipelines; no impact on company value
Fleet	Sale of all ships and contracting of all warehousing; estimated positive impact of $370 million
Management	Costs will be cut in half, with a positive effect of $625 million on company value

Source: McKinsey and Company, Inc., consultants

* UIA Partnership With Brazil Discussed

91SM0403D Buenos Aires CLARIN in Spanish 30 Jun 91 p 4

[Text] Members of the Argentine Industrial Union (UIA) have begun talks with their Brazilian counterparts to set up a two-nation business group that could later include the remaining industrial unions in Mercosur (Uruguay and Paraguay). They intend to sign the charter of the group in Sao Paulo, Brazil.

The creation of this Argentine-Brazilian Industrial Union is designed to put the two countries' industry in a stronger position in the process of integrating the Southern Cone and, at the same time, to negotiate differently with the United States on the common market for the Americas that President Bush has proposed.

A single group would allow countries to discuss projects and legal, institutional, and economic regulations of every sort, to take into account the disparities between countries and the means to resolve them, and later to recommend that national governments adopt industrial proposals, CLARIN was told by the businessmen who are putting the initiative together. This is an institutional manner, they added, of privatizing integration, correcting the distortions that may arise, and lending greater weight to industry in this entire process.

Argentine industrialists feel that the country must become involved in creating the common market for the Americas that Bush has proposed, given the United States' unquestionable economic power. Nonetheless, they feel that Argentina has begun the negotiations poorly prepared and has been unable to bargain on crucial issues in the integration process.

Argentina, they contend, has not made the most of U.S. violations in the area of farm subsidies to present a common front with the remaining Mercosur countries and thus obtain concessions from the United States on other fronts, such as the debt, patents, U.S. protectionism in textiles, iron and steel, and leather goods. The accord, which was signed in the United States, they added, calls for recognition of patent rights but did not bother to incorporate guarantees that items could be produced in the countries that recognize the patents, under a wide-ranging licensing policy, and would thus not be forced to import them.

The businessmen feel that industry ought to have a greater presence in the external negotiations on integration.

Share in Foreign Trade
(percentages)

Year	U.S. vis-a-vis Argentina		Argentina vis-a-vis U.S.	
	Exports	Imports	Exports	Imports
1985	12.0	18.0	0.3	0.3
1986	9.9	17.5	0.4	0.2
1987	14.1	16.2	0.4	0.2
1988	13.0	17.1	0.3	0.3
1989	12.0	20.9	0.2	0.1
1990	13.5	21.5	0.2	0.3

Source: Argentine-U.S. Statistical Bulletin, Statistics Area, SICE [expansion not given]

Bolivia

Importance of Amensty Decree; Text Reported

PY3107011491 La Paz Television Boliviana Network in Spanish 1700 GMT 30 Jul 91

[Text] The executive branch has promulgated a supreme decree, which is also being called the repentance decree. Using the power bestowed upon him, the president of the Republic has promulgated this decree, which is based on the decision of the UN 1988 Vienna Convention. This convention created, among other things, an international antidrug system.

President Jaime Paz Zamora insistently emphasized the importance of this decree, which is considered a step ahead in the peaceful antidrug fight.

[Begin Paz Zamora recording] This new step gives our fellow countrymen who have been or are still involved in drug trafficking a chance to reconcile with their country and the international community. This is why I deemed it important to make it part of our antidrug strategy.

I would also like to mention that this decree has been promulgated in two countries of our region. We cannot confuse things, however, because there are two basic differences: In Colombia, a decree allowing drug traffickers to voluntarily surrender has also been promulgated, but it has been promulgated there with the aim of ending the violence that was introduced into the country by drug trafficking. In Bolivia, however, we are taking this step precisely to prevent the antidrug fight from unleashing violence in our country. The two situations are, therefore, radically different. This is the interpretation I, as the president of the Republic, and my administration give to this decision. I also hope that all Bolivians and the international community interpret it as one more Bolivian contribution to the international antidrug fight. [end recording]

The document was decreed in a Cabinet meeting and consists of six articles, which were made public by the interior minister. The full text of the decree follows:

Article 1. Those who commit any of the crimes specified in Law 1008 may turn themselves in to a prosecutor for violations of the Controlled Drugs Code, in accordance with rights, obligations, and guarantees established by the national Constitution. They can thus freely and spontaneously report on criminal deeds they may have committed or helped to commit.

Article 2. Those individuals referred to in the previous article must facilitate investigation of the crime or crimes reported, hand in the weapons or tools used to commit them, and report details of their properties and income to the appropriate officials.

Article 3. Those individuals referred to in the previous articles may declare their repentance for the crimes. This will be used to attenuate the crime or crimes reported as established in Item 3 of Article 40 of the Penal Code.

Article 4. If the conditions established in this decree are met, the government may request at the time of trial that those being tried receive a minimum sentence.

Article 5. The Ministry of Foreign Affairs and Worship will not comply with any petition for the extradition of Bolivian citizens who have met the requirements of this decree within the period of time established in the following article.

Article 6. This supreme decree will be in force for 120 days after the date of its promulgation.

The foreign affairs and worship minister and the interior, migration, justice, and social defense minister are in charge of supervising and implementing this supreme decree, which was issued at the Government Palace on 29 July 1991.

EFE Views on Traffickers Surrender, Extradition

PY3007172691 Madrid EFE in English 1133 GMT 30 Jul 91

[Reported by Agustin de Gracia]

[Text] La Paz, July (EFE)—The Bolivian Government has put into effect a plan offering drug trafficking suspects guarantees against extradition to the United States if they turn themselves in within 120 days. "This is not going to eliminate drug trafficking but it just may reduce it drastically," Interior Minister Carlos Saavedra said Monday, announcing the decree which took effect immediately.

The government is also pledging that its prosecutors will ask for the minimum five-year jail sentence for suspects who surrender before the November 26 deadline and co-operate fully with the authorities.

The scheme was made public on July 17, a day after Washington formally requested the extradition of 14 Bolivians facing drug-trafficking charges in the United States, including a number of alleged big-time gang leaders.

Foreign diplomats interpreted the request as a sign of U.S. support for the Bolivian measures and a pointed reminder that the threat of extradition will persist for those who choose to disregard them.

Although Bolivia is second only to Colombia as a cocaine producing nation, the country's drug-trafficking racketeers have been at pains to play down the violent side of their activities.

Two of the country's reputed drug barons, Moises Flores and Winston Rodriguez, have indicated their willingness to surrender providing they are not extradited.

Bolivian officials said the measure was a precautionary one, aimed at heading off a wave of "narcoterrorism" like the one that swept Colombia when that country's government tried cracking down on the drug kingpins.

The violence trailed off in Colombia when drug boss Pablo Escobar and his associates surrendered recently after receiving guarantees that they would not be extradited.

Last week, Saavedra and Foreign Minister Carlos Iturralde travelled to Washington where they outlined the specifics of their plan to officials in the State Department, the DEA, and U.S. legislators.

Bolivian officials said that while Senator Edward Kennedy and others were enthusiastic about the plan, DEA officials voiced doubts about the integrity of Bolivia's judiciary and about security conditions in the country's prisons.

Next month, however, a new maximum security prison built with aid from the United States and other countries will be opened just outside the Bolivian capital designed for the drug traffickers who accept the government's offer.

Internal Audits of Public Institutions Ordered

PY3107020291 La Paz Television Boliviana Network in Spanish 1700 GMT 30 Jul 91

[Text] The government has announced that internal audits will be carried out in all ministries and public institutions to demonstrate the transparency of the public administration. The government announced this in the following communique:

Official communique:

By order of the supreme government, the Ministry of Information reports the following:

First, within the framework of the presidential order to cooperate with the National Comptroller's Office and the National Prosecutor's Office in strict compliance with the SAFCO [Integrated Financial Administration and Government Control System] law, internal audits will be carried out in all ministries and decentralized public companies of Bolivia in order to make transparency prevail in keeping with the aforementioned law.

For this purpose, the Ministries of Finance and Planning will help ministers with support and counseling groups. The National Prosecutor's Office will be given the necessary support to prepare the rules of the SAFCO law. Finally, the presidents of all departmental development corporations have also been requested to carry out internal audits.

Second, it must be recalled that the SAFCO law began to be applied a shortly after it was sanctioned and promulgated by the legislative and executive branches, respectively, under the administration of President Jaime Paz Zamora. The report on the financial situation of our public institutions was delivered by the National Auditing Office during a public ceremony at the Government House constitutes, for the first time in national history, a landmark in implementation of a legal instrument—in this case, the SAFCO law, which is meant to improve and modernize the national administration.

Government Appoints Interim YPFB President

PY3107012491 La Paz PRESENCIA in Spanish 27 Jul 91 p 4

[Text] Changes will not be made in the executive and technical levels of Bolivian Government Oil Deposits, YPFB, said its interim president, Guillermo Jimenez Gallo, who will visit several districts of the country to become familiar with the work that is being done.

The new interim president said a professional will be invited to replace him on the YPFB executive board and no other changes will be made.

Other YPFB sources said that the removal of YPFB employees will take place in accordance with the results of the investigation being carried out by the General Prosecutor based on a report submitted by the National Comptroller's Office noting that those involved in corruption must be tried by the courts.

Jimenez Gallo asked the press for more time to become better familiar with the company's technical and administrative operations. He said: "I want to become thoroughly familiar with the company in order to be able to make better decisions."

He announced that he will visit oil-producing districts to gain a better idea of work being done in the company's various divisions.

Jimenez added that he knows this sector because he was energy minister for four years and has been a member of the YPFB executive board since January 1991.

Brazil

Projects To Preserve Amazon Forest Implemented

PY2707224891 Rio de Janeiro O GLOBO in Portuguese 22 Jul 91 p 14

[Text] Brasilia—The Pilot Program for the Preservation of Brazilian Tropical Forests will implement 49 projects—divided into two subprograms, one structural and the other demonstrative—in the Amazon forest. In addition, programs that have not yet been decided on will be implemented in the Atlantic Forest. Although the projects will cost an estimated $1.5 billion, only the budget for the first 18 months has been detailed. During this period, $280 million [as published] will be invested in the projects.

The structural subprogram is divided into the following projects: preservation and protection of relevant ecosystems, which includes proper land titles for parks and biologic reserves and the delimitation of Indian reservations by the end of 1992, costing $79 million; handling of natural resources, emphasizing exploitation of fish and forest products, costing $5.4 million; recovery of degraded areas, costing $23.2 million; mapping, costing $23 million; technological and scientific support, costing

$20 million; institutional strengthening, costing $20 million; environmental education, costing $877,000; monitoring and surveillance, costing $21.4 million; and supervision and control, costing $13.2 million.

In the first stage of the Pilot Program, $37 million will be assigned to the demonstration program. These resources will initially be assigned to 20 projects under nongovernment entities that are working with Indian groups and local communities for the development of alternative techniques for handling forest products.

All projects of the Pilot Program, including the creation of preservation areas and Indian reservations, for which federal organizations are responsible, must be approved by a joint commission made up of an equal number of representatives of the Brazilian Government and the Group of Seven.

General To Fight Internationalization of Amazon

PY2707222891 Sao Paulo FOLHA DE SAO PAULO in Portuguese 23 Jul 91 p 1

[Reported by Gustavo Krieger and Eumano Silva]

[Text] General Antenor de Santa Cruz Abreu, chief of the Military Command of the Amazon, has said that the Brazilian Army "will transform the Amazon into a new Vietnam" if developed countries adopt a concrete attitude on internationalization of the region. Abreu made these statements to congressmen on the Senate and Chamber of Deputies National Defense Committees, during an 11 June visit they made to the Amazon at the Army's invitation. This statement was confirmed by the Army Public Affairs Center (Cecomsex).

As of 1800 on 22 July, Cecomsex had not reported on whether the Army has drafted a plan to turn the Amazon into a "Vietnam." According to Cecomsex, Abreu's statement must be interpreted as a personal opinion against any action directed toward the Amazon.

A nationalist doctrine has gained strength within the Armed Forces Command. A document issued in 1990 by the War College (ESG) talks about the possibility of Brazil resorting to war against an internationalization of the Amazon.

The document, which is titled "1990-2000 - Vital Decade" [1990-2000 - Decada Vital], was coordinated by then ESG President Oswaldo Muniz Oliva. The ESG says that the international ecological preservation movement is generating "harmful beliefs, such as internationalization of the Amazon."

According to the document, "establishment of political bridgeheads may demand of authorities a great effort to eliminate them—even resorting to war."

The document states that the pressure to preserve Indian culture exerted by developed countries may lead to the adoption of international sanctions against Brazil. "These actions from abroad may disturb Brazil's permanent objective of social peace, besides going against our sovereignty. In order to turn away these threats, it may be necessary to turn the matter into a state of war."

Abreu's statement was confirmed to FOLHA on 22 July by three congressmen who attended the June meeting. Mauricio Campos, (PL) [Liberal Party] deputy for Minas Gerais State and chairman of the Chamber of Deputies National Defense Committee, has said that Abreu's statements "show that the Brazilian Army is ready to act against any attempt against national sovereignty."

Irapuan Costa Junior, (PMDB) [Brazilian Democratic Movement Party] senator for Goias, said Abreu's statement "was a reaction against the avarice of rich countries toward the Amazon." Francisco Rodriguez, (PTB) [Brazilian Labor Party] deputy for Roraima, backs the statement in the name of national military thought.

Man Responsible for Bomb on JAL Flight Found

PY3107023091 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 30 Jul 91

[Text] Police have discovered the man who made the bomb that was found in a piece of luggage on Japan Airlines, JAL, Boeing. The incident took place at the beginning of this month at Guarulhos International Airport, Sao Paulo.

When the JAL Boeing made a stopover at Cumbica Airport [as heard], something else beside suitcases and bags was found in the luggage. A cardboard box concealed a time bomb. The bomb, which was discovered shortly before departure time, was detonated a short while afterwards by the Infraero [Brazilian Airport Support Enterprise] employee who found it.

The airport security agent prevented the death of hundreds of JAL passengers. He found and detonated the bomb. He did not, however, turn out to be a hero because of one little detail: He, himself, had planted the bomb.

(Jose Luis do Prado Stibler), 33, is an Infraero security agent. During the Persian Gulf war, the Japanese airline paid him an extra salary to monitor luggage. When the company decided to suspend the bonus, Jose Luis planned the attack.

All details led to him: The way he manipulated the bomb—that is, the security with which he manipulated it since he knew it well; even the fact that he detonated it in order not to leave any evidence.

However, Jose Luis' plan did not succeed. Among the remains of the bomb, the police found airport security labels used only by Jose Luis and pieces of adhesive tape from a roll that was afterward found in his house.

(Jose Luis Stibler) will be tried for placing the lives of many people at risk with the bomb. The sentence could range from one to three years in prison. The police will also file charges

against airport employee Armando Sander Junior for negligence. He was in charge of controlling the luggage for the JAL airplane during the stopover.

Government Moves Up Withdrawal Date for Cruzados

PY3007184491 Rio de Janeiro Rede Globo Television in Portuguese 1600 GMT 30 Jul 91

[Excerpt] The government has decided to move forward to 15 August the date for withdrawing frozen new cruzado accounts. A special incentive has been created for those who choose to leave their cruzados in the bank. The incentive will be greater than the profit paid on common savings accounts. The announcement was made early today in Brasilia by Economy Minister Marcilio Marques Moreira. The decision was made during a meeting attended by President Collor, the ministers of economy and justice, and congressional party leaders.

[Begin Marques Moreira recording] The date for withdrawing the frozen new cruzados, which will be converted into cruzeiros—especially those in small accounts—has been moved forward to 15 August. This will please the people and help to restore—as I said—the credibility of the government. I am convinced that this initiative will have purely positive macroeconomic effects. [end recording] [passage omitted]

Universities, Enterprises on Technology Transfer

PY2707220291 Sao Paulo FOLHA DE SAO PAULO in Portuguese 19 Jul 91 p 3

[Reported by Carlos Vogt]

[Excerpt] A group of businessmen and university rectors have been meeting since last March at the initiative of Rhodia [a pharmaceutical company] and Unicamp [Campinas State University] with the aim of defining the new role of the university and industrial sectors within the context of the technological race and the effective partnership this process requires.

The series of meetings held thus far ended recently with the official creation of the University-Enterprise Foundation [Fundacao Universidade-Empresa, Uniemp]. The foundation will be headquartered in Sao Paulo with the very clear objective of mediating and promoting these talks and giving them a professional character and a dynamic that goes beyond a bilateral relationship between isolated institutions.

Eluding the rhetoric and sometimes cultural nature given to these talks in Brazil, the group started off by identifying the obstacles faced by technology transfer as well as the "promoting forces" that recommend its implementation during the 90's.

Among the favorable factors, the rectors and businessmen listed, in increasing order of importance, the need to professionalize business and university administration, the need to update enterprises' technology, and, last, the difficulties the state has in maintaining universities' budgets. The three major obstacles, in order of importance, are the reciprocal lack of knowledge about technical cooperation possibilities, the lack of adequate mechanisms to make this cooperation feasible and, finally, the lack of financial autonomy universities have in using their budget resources.

With regard to the last topic, it is not surprising that the most successful efforts in this field have been made by Sao Paulo public universities—Unicamp alone currently has 500 contracts with enterprises—they are precisely the institutions that, anticipating implementation of the constitutional precept, took control of their financial autonomy and have a certain degree of freedom in administering their funds.

One of the goals set for the next few months—which has already been put into practice by the two parties—is the establishment of joint scientific councils within enterprises and universities. These commissions are capable of identifying needs and of channeling efforts to update technology. The two parties are filling traditional vacuums that were reflected in universities by the absence of a link with the technological agent and in enterprises, by a lack of knowledge about the potential that lies within university laboratories. [passage omitted]

Army To Reduce Number of Active Generals

PY2607143691 Sao Paulo FOLHA DE SAO PAULO in Portuguese 24 Jul 91 p 7

[Reported by Sonia Mossri from Brasilia]

[Text] Beginning in 1992, the Army will reduce the number of its generals in active service. This reduction is part of an Army administrative reorganization and reverses decisions made during the Sarney administration, when several commands headed by colonels were transformed to commands headed exclusively by generals.

The administrative reorganization the Army Ministry prefers to call a "rationalization program" is not only an adjustment to the budget reduction, but also aimed at modernizing the Army. Within the same program, Army Minister Carlos Tinoco also is considering the dismantling or transfer of several military units countrywide.

According to the Army Ministry, there are currently 165 generals in active service, and 15 Army generals—the highest rank in the Army—in active service, including the Army minister and the Armed Forces chief of staff (EMFA).

The four Army generals, who are ministers of the Superior Military Court (STM), are not considered to be in active service. In the Army, there are 40 division generals and 110 brigade generals.

During the Sarney administration, former Army Minister Leonidas Pires Goncalves increased the number of generals by allowing many colonels to become generals.

Several duties that used to be performed by colonels were made the responsibility of generals. The trend will be reversed in 1992.

Collor Signs Decree on Protecting Ozone Layer

PY2807013291 Brasilia Voz do Brasil Network in Portuguese 2200 GMT 24 Jul 91

[Text] Brazil plans to reduce—in the short term—the use of chemical substances, such as sprays, that affect the atmosphere's ozone layer. This was established in a decree ratifying the Montreal Pact signed by President Fernando Collor today.

Under the Montreal Pact, which was signed in Canada in 1987, several countries, including Brazil, committed themselves to bringing forward deadlines for the elimination of industrial chemical products that damage the ozone layer.

The ozone layer protects the earth from the sun's ultraviolet rays, which can cause diseases such as skin cancer.

INSS Strike Continues; Benefits Demanded

PY2807001691 Rio de Janeiro Rede Globo Television in Portuguese 2300 GMT 25 Jul 91

[Excerpts] Pensioners and retirees went to the National Institute of Social Security [INSS] today to demand the benefits of the new social security law; however, their effort was in vain because INSS workers continue their strike, which began four months ago. [passage omitted]

INSS workers are demanding a 358-percent salary increase to end their strike, but thus far negotiations have proven useless and salaries continue at the same level. Nevertheless, salaries have been paid punctually since the strike started. [passage omitted]

In Rio de Janeiro Labor Minister Antonio Magri asserted that the striking INSS workers will not receive their salaries at the end of the month. [passage omitted]

Chile

BCCI Main Shareholder Builds Luxury Hotel

PY3007154491 Santiago Television Nacional de Chile Network in Spanish 0030 GMT 30 Jul 91

[Text] The world scandal affecting the Bank of Commerce and Credit International [BCCI] has also involved Santiago. Gaith Pharaon, who until a short time ago was the bank's main shareholder, is building a luxury hotel in our capital.

Chile was touched by the scandal that has echoed around Europe, the United States, and Latin America resulting from the closing in London and Argentina of the BCCI despite the distance and Chile's geographical location. The bank has branch offices in 72 countries.

The BCCI is allegedly involved in nothing less than international terrorism, the laundering of money from narcotics trafficking, espionage operations, and even the financing of nuclear programs in Iran and Pakistan. The BCCI was founded in the 1980's by Pakistani entrepreneurs but its main shareholder until last year was the Saudi magnate Gaith Pharaon.

Pharaon visited our country on 17 June 1988. He met with then Finance Minister Hernan Buchi and with General Pinochet. He announced that the Hyatt Hotel chain would build a five-star hotel in Santiago that would involve a large investment.

While people abroad are calling for the heads of the BCCI staff involved in the scandal, the Hyatt Regency Hotel is currently being constructed in our capital. The hotel is located between Presidente Kennedy and Alonso de Cordova Avenues in Las Condes District.

Considering its impressive luxury structure, its 310 rooms, and its high cost—the biggest hotel investment ever made in Santiago—it is appropriate to ask oneself if the hotel's construction in Santiago is justified from the viewpoint of tourist demand.

[Begin Tourist Studies Center Director Daniel Meyer recording] Everything leads one to believe that demand will continue to grow. Trade deregulation and the Americas Initiative will all help to increase the number of hotel guests.

I believe that time will tell if hotels of this size in capitals like ours are profitable. I think they are. I think that the construction of the Hyatt Regency will be justified. The hotel will be necessary. [end recording]

The point is that the construction of the Hyatt Regency in Santiago has been achieved through the conversion of foreign debt certificates into debt bonds to the tune of $53-million, according to data supplied by the Central Bank.

Chilean legislation does not provide for investigating the origin of foreign investment. It is impossible to determine if the money for this construction comes from the laundering of drug money although, curiously enough, it was a Panamanian company that made the investment.

Today, the Hotel Corporation of Chile [company name given in English] is involved in the construction of our Hyatt. This company is the representative here of Gaith Pharaon, who is accused of having received millions [monetary unit not specified] in credits without a BCCI guarantee.

In light of all this, we are very surprised that the manager of the Hotel Corporation is unwilling to talk to the "24 Hours" program. We have been trying to for a month to contact him, and this afternoon we were unsuccessful again.

[Begin recording] [Unidentified secretary of Pedro Pablo Echeverria, the Hotel Corporation of Chile manager] Mr. Echeverria is in Santiago now, but he is not in his office. Wait a minute.

[Reporter] Do you know what is happening? We do not understand where the problem lies. He does not want to talk to anyone from the press.

[Secretary] No. There is no problem whatsoever here. The point is that they are working together to complete a project that has a deadline. And if you were not granted an interview and you were not received, it is because these people have an agenda. They are very busy. Besides, Mr. Echeverria has been out of the country. [end recording]

This story not just involve the Hyatt Regency in Santiago, but also the Hyatt hotel that is currently under construction in Buenos Aires, but we will talk about this tomorrow.

President Aylwin Asks for Mayor's Resignation

PY3107030691 Santiago Television Nacional de Chile Network in Spanish 0030 GMT 31 Jul 91

[Text] Las Condes Mayor Sergio Trucco has confirmed that President Aylwin, through the interior under secretary, has asked for his resignation.

[Begin recording] [Unidentified reporter] What reasons did the under secretary give you when asking for your resignation?

[Trucco] He did not give me any reasons. I asked him why the president wanted my resignation, and he said there were no specific reasons, that there was nothing against me, my honor, my political position, or my friendship with the government. He said the request was a prerogative of the president.

[Reporter] Why do you think the government wants your resignation?

[Trucco] I cannot understand it.

[Reporter] Why do you think you are being named as one of the mayors appointed by President Aylwin who will resign?

[Trucco] You will have to take that question to the people who tried to hurt me.

[Reporter] If you had the opportunity, would you continue to serve under this government?

[Trucco] I would have to think about it.

We have to note that Las Condes is one of the 15 communities where President Aylwin appointed mayors.

Aylwin Names New Constitutional Court Judge

PY3107033891 Santiago Radio Cooperativa Network in Spanish 2300 GMT 30 Jul 91

[Summary] President Patricio Aylwin has designated Eugenio Velasco Letelier as the new Constitutional Court judge replacing Judge Eduardo Urzua, who retired. Judge Velasco was sworn in this afternoon.

Cuban Admits Guilt in Letelier Case

PY3007183491 Santiago Radio Chilena Network in Spanish 1700 GMT 30 Jul 91

[Excerpt] Cuban citizen Virgilio Paz, who is accused of detonating the bomb that killed former Chilean Foreign Minister Orlando Letelier, has made a bargain with the prosecutor. Paz has pleaded guilty to plotting to murder the former foreign minister, and the prosecutors have agreed to recommend a prison term of less than 12 years. The court is not bound by this agreement, however, and Paz could be sentenced to life imprisonment. [passage omitted]

USSR Foreign Exchange President Visits

PY3107021091 Santiago EL MERCURIO in Spanish 24 Jul 91 p B 16

[All Soviet names as published]

[Text] Alexander Potiomkin, president of the USSR Foreign Currency Exchange, has met with Chile's Central Bank president and other financial sector representatives with the aim of becoming acquainted with Chilean experience in this field. Potiomkin, who arrived in Santiago on 22 July, is accompanied by Sergey P. Grjaznykh and Andrey V. Vasiliev, who are officials of the USSR State Bank.

During his meeting with Pablo Irarrazabal, president of the Santiago Chamber of Commerce, Potiomkin explained that the USSR created the Foreign Currency Exchange four months ago and is currently gathering information from countries with experience in this field such as West Europe, the PRC, and Chile.

In Potiomkin's opinion, Chile is an example of stability and efficiency in the financial sector, which was achieved in a relatively short period of time, and "this is something we are very interested in because we have no time to spare," he asserted.

Potiomkin explained that the reason for the visit to Chile is to learn how the Central Bank is going about implementing a determined policy on the dollar and about its monetary policy in general as well as the type of relationship it maintains with the remaining commercial banks.

Moreover, he explained that the USSR is not familiar with the sort of cooperation that international financial organizations such as the IMF and the World Bank can grant. In this regard, he noted, Chile is a good example of how advice and the cooperation of these enterprises may prove effective.

He explained that their main current problem is development of a domestic conversion system for the ruble.

Potiomkin said he thought that one of the most outstanding aspects of the Chilean economy is its opening to capital, and he noted the freedom enterprises have in taking capital out of Chile to finance projects abroad.

something that is currently impossible in the USSR due to the great shortage of foreign currency.

Potiomkin noted the great effort Soviet authorities are making to open the Soviet economy and for which great legal changes have been made.

During his visit to Chile, which will end on 27 July, Potiomkin will meet with Chilean bankers and the president of the Banks and Financial Enterprises Superintendency.

* Government Economic Measures Discussed

91SM0404A Santiago EL MERCURIO in Spanish 16 Jun 91 pp A1, A12

[Text] The reduction of customs duties from 15 percent to 11 percent, the extension of the stamp tax to short-term foreign credit, and the increase in the specific tax rate on gasoline—all of these things are parts of the package of economic measures included in a draft law the government will send to the parliament tomorrow for immediate discussion.

The Central Bank, in turn, has announced a complex of measures designed to maintain the competitive position of exporters and to discourage short-term movements of capital.

They include a 2-percent reduction in the official dollar rate as of Monday, application of a cash reserve of 20 percent to short-term foreign credit, and authorization for the financing of foreign-trade operations involving third countries by the banks, under the provisions of the Latin American Integration Association (ALADI) agreement on mutual payments and credits.

The details of these measures were announced at a joint press conference held yesterday by Minister of Finance Alejandro Foxley, Minister of Economy Carlos Ominami, and the acting president of the Central Bank, Roberto Zahler.

A Long-Term Strategy

Minister Foxley said that the measures which will be proposed to the congress are designed to reaffirm the long-term strategy to which the government has committed itself, and which is based on maintenance of the macroeconomic balances, promotion of modernization with social integration, and increasing openness for the Chilean economy.

He explained that it is not a question of a package of economic measures of an anti-inflationary sort, but rather "they are designed to maintain the macroeconomic balance and to favor the prospects for growth in the economy, investments, and exports."

He emphasized that these measures are being adopted within the context of definite Chilean economic expansion, wherein, following the 1990 adjustment, the Monthly Indicator of Economic Activity (IMACEC) shows an increase of 4.6 percent for April. With this, the average for the first four months of this year exceeds the average for the same period in 1990 by 3 percent.

The minister added that this firm footing for the Chilean economy is also reflected in the "excellent prospects" for our foreign accounts, and in the interest shown by foreign investors. As a result of the success achieved, he said, the balance of payments has shown systematic surpluses, with the resulting accumulation of reserves. And recently, the Chilean economy has seen a massive influx of short-term capital, which has exerted artificial pressure on the decline in the exchange rate.

The Export Strategy

Minister Ominami, for his part, said that these measures represent a reaffirmation of the export guideline of a strategic nature the Chilean economy should pursue. And, from this point of view, he said that it has become fundamental to adopt basic measures to deal with the pressures being exerted on the rate of exchange.

The head of the economic ministry said that the complex of measures will be supplemented by a program designed to promote investments. It will include making the norms for the investment of pension funds in the country more flexible, channeling Interamerican Development Bank (IDB) resources into long-term investment projects, a financing line for exports of capital goods, and a plan to support small and average business investments.

International Market Role

With regard to the Central Bank agreements, Roberto Zahler explained that they are not dictated by short-term situational factors, but involve a structural change, with measures drafted with a view to the medium and long range and designed to strengthen the economic incorporation of the country in international markets.

When asked about the effects of these measures on the real rate of exchange, Zahler explained that three of them are related to a trend toward a somewhat higher dollar rate. They are the customs reduction, which will have an impact on the demand for foreign exchange for imports, in which an increase is also expected as a result of the more rapid rate of growth in economic activity; the more limited influx of short-term capital, since it will be subject to the stamp tax and the reserve-fund requirement; and the exodus of foreign exchange likely when the banks are allowed to finance foreign-trade operations involving third countries which are members of the ALADI.

Zahler maintained that the 2-percent reduction in the official cost of the dollar and the reduced customs rates will ensure that the foreign-exchange rate situation for exporters remains unchanged, since they will retain their competitive capacity because of the reduced cost of the imported supplies they use in their activities.

Customs and Other Duties

Minister Foxley said that tomorrow, Monday, the government will send to the congress the draft law reducing customs duties from 15 percent to 11 percent as of the day of the dispatch of the draft.

He explained that the customs reduction will mean a decline in fiscal resources of about $200 million, for which compensation should be obtained from other sources to maintain the budget balance which, he said, has been a pillar supporting the excellent economic development of the country.

He also said that the proposal will ask that the stamp tax currently imposed on domestic loans (1.2 percent on the total for the operation) be extended to cover foreign credit.

"With this measure, the discrimination against domestic capital will be eliminated, and capital movements resulting from the differences between the domestic and foreign interest rates will be taxed. Because of the way this tax functions, it will be basically the short-term foreign credit which will be affected," he said.

He added that the congress will also be asked to increase the specific tax rate on gasoline from 2.58 Monthly Tax Units (UTM) per cubic meter to 3.88 UTM per cubic meter. He commented that "this tax will not affect costs for the industry, and it will create an incentive for the more efficient use of private automobiles."

Concerning the impact of this measure on the price of gasoline, Foxley explained that two effects operate in different directions, because the reduction in customs duties reduces the cost of imports, and the higher tax increases their price. However, he said that he hopes that there will be the least possible impact on prices at the consumer level. In any case, it was explained that the tax increase should have only a gradual effect on prices.

The secretary of state emphasized that the reduction in customs duties, linked with the tax changes indicated, plus the reserve-fund policy announced by the Central Bank will ensure that "from the macroeconomic point of view, the overall effect will be neutral. There is no expansive effect resulting from the decrease in income from customs duties," he said.

He emphasized that the measures are designed to strengthen the growth potential in the Chilean economy by encouraging the expansion of Chilean exports and investment processes. He reiterated that the country is headed for an increase in the GDP of about 4 percent to 5 percent this year.

On the question of whether the lowering of the customs duties might reduce the Chile's negotiating capacity as it discusses free-trade agreements with Mexico, Venezuela, and the United States, Minister Ominami emphasized that "the essential phases of the negotiating process with these countries have already been completed."

He added that what remains to be done is more nearly refinements pertaining to paracustoms restrictions. He pointed to the international negotiations Chile is pursuing within the framework of the General Agreement on Tariffs and Trade (GATT), and, in the medium time range, with a view to establishing free-trade agreements with the United States, and perhaps with the European Economic Community.

Central Bank Measures

The acting president of the Central Bank, Roberto Zahler, said for his part that the three measures adopted by the board of that institution are based on six considerations. They include strengthening the foreign position of the country, a concern which has led the government to propose the reduction in customs duties; the significant difference between the cost of the debt in foreign currency and that in domestic currency, which encourages the influx of speculative capital; and the undesirability of reducing the domestic interest rate, because this would seriously compromise the goal of reducing inflation.

The other aspects taken into account were the decision to prevent a reduction in the competitive capacity of exports, since their dynamism is a basic prerequisite for keeping the foreign accounts of the country stable in the medium and long term; the desirability of continuing the process of selective openness in the capital account to support trade integration abroad; and the conviction of the Central Bank that the foreign-exchange policy must not be affected by situations of a temporary nature.

The bank official explained that to discourage short-term capital movements, the establishment of a 20-percent reserve fund for foreign credit will be required, with a decreasing effect on cost for those operations which extend beyond the period of one year.

On the other hand, bank use of foreign-currency resources will be made more flexible, with the banks being authorized to finance foreign-trade operations involving third countries under the provisions of the ALADI mutual payment and credit agreement.

He emphasized that the change in the official rate of exchange, taking the favorable impact of the customs reduction on the costs of export products into account, is designed to maintain the competitive position of our exporters.

The official cost of the dollar, which remains at 364.29 pesos until Monday, will, with the 2-percent reduction, become 357 pesos. As of that date, 17 June, the official dollar-exchange rate will be adjusted on the basis of the difference between domestic and foreign inflation. This latter figure is estimated at 0.3 percentage points per month. Zahler expressed the certainty that in this way, a stable return to the foreign-exchange rule can be achieved.

Encouraging Investments

The Investment Promotion Program announced by Minister Carlos Ominami contains measures in the realms of

financing, technological developments, labor and business training, and promotion of exports. These measures will be announced next Wednesday, with President Patricio Aylwin present.

They call for channeling about $100 million obtained from the IDB into long-term investment projects during the remaining months of this year. Recently the negotiations with that organization to speed up the placement of these resources were completed.

The establishment of a financing line for exporters of capital goods, using new IDB resources, is also being considered. These resources would come from sectorial credit negotiated within the framework of the Bush Initiative, which is supposed to be signed at the end of June.

The implementation of a program of support for small and average business investment is also being contemplated. It would provide for the allocation, through the CORFO [Production Development Corporation], of a subsidy for contracting professionals to help with the identification, formulation, and submission of proposals to the bodies in the financial system, and for follow-up procedures. The plan also calls for encouraging the establishment of a private credit-insurance system, with a subsidized premium at the beginning. Here, too, the CORFO would be responsible for the administration.

Another important aspect of the program calls for the removal of the obstacles hindering the channeling of pension-fund resources into a broader range of productive investments, and for the acceleration of the studies with a view to amendment of the norms which govern the placement of these funds.

Finally, the program calls for speeding up the design of new financial tools, such as credit insurance, which will make it possible to improve the risk profiles for the investment projects which require this type of support.

Colombia

CNGSB Announces Renewal of Terrorist Actions

PA3007132491 Bogota Radio Cadena Nacional in Spanish 1200 GMT 30 Jul 91

[Text] Santa Fe de Bogota—The Simon Bolivar National Guerrilla Coordinating Board [CNGSB] has announced that it will renew terrorist actions in response to the protest events held in the Atlantic coast and Meta Department last week. In a communique, the guerrilla group asserted that the protest marches that were held on 25 and 26 July were an act of war. The people marched to protest the copious losses caused by terrorist attacks on the industrial and commercial sectors.

In its message, the CNGSB, which is advancing peace talks with the government, criticized the people for submitting to holding these protests, said the people will be negatively affected by its future actions, and advanced its regrets for such damages. We see no justification for a protest march against our organization, which has always attempted to save the people from problems caused by the social disorder in the country, the CNGSB communique added.

President Reviews National Security Plans

PA3007222991 Bogota EL TIEMPO in Spanish 24 Jul 91 p 12a

[Text] During a security council meeting held at Narino Palace yesterday, top government officials reviewed and adjusted the strategy that was implemented three months ago to counter guerrilla actions.

Defense Minister General Oscar Botero Restrepo and the high military command told the president about the creation of two new mobile brigades. One of them, the Number Two, is already successfully operating in Cesar Department and the middle Magdalena region. According to military sources, the other one will begin operating soon, however, it is now still in the training stage.

In addition, the president was told about the measures being implemented to create 10 new counterinsurgency companies, according to what had been established last March. Five of these companies have already been activated and the remaining five are in the final stages of preparation.

With the expansion of the elite forces in the fight against guerrillas, the government plans to neutralize the terrorist offensive carried out by the Simon Bolivar National Guerrilla Coordinating Board, said a source from Narino Palace.

During the council meeting, which was attended by the ministers of government, mines, communications, and public works, as well as by the national security adviser, the government also reviewed how the terrorists have changed their targets, because during the last 30 days they focused on sabotaging electricity towers, while during their first offensive of 1991 they basically attacked the mining and pipeline systems.

As a result of this change in tactics, the defense, public works, communications, and mines ministers agreed to make, over the next eight days, some changes in the surveillance plans, which was implemented last March.

The current plan calls for the protection of nearly 350 critical points, 20 of them in the mining sector, 120 in the communications infrastructure, and some 200 from the power and electricity sector.

Gaviria also reviewed the intelligence organizations, whose reorganization has already begun. As for the development of the justice system, the Administrative Department of Security (DAS) and the Directorate of Judicial Police and Investigations (Dijin) are working to improve their intelligence systems and the training of their investigating units.

Generals Miguel Antonio Gomez Padilla and Miguel Maza Marquez talked to the president about the results

they have obtained in that front up to now. The DAS is making progress in its specialty, which fighting the so-called white collar crimes, money laundering, and other crimes against economic security (including terrorism), as well as electronic fraud, while the Dijin specializes in the field of investigating crimes of terrorism and drug trafficking.

In addition, the top government officials reviewed the process to increase the number of national police members, who up to now are making progress in the fulfillment of their objectives. A total of 1,800 policemen, of 5,800, have already joined the institution.

The efforts to fight kidnappers were also evaluated, since nearly 1,000 people have been kidnapped in the country this year. The president received information on the creation of two new Medellin Antiextortion and Kidnapping Unit [UNASE] groups, which will begin carrying out their duties in rural areas next week while seven other groups should initiate their activities within a month and are already on the training stage.

National security adviser Rafael Pardo Rueda said that as a result of the "war tax," which was partially cut down following a supreme court ruling, the government has the necessary resources to implement the 1991 security plan, the cost of which is estimated at 50 billion pesos.

The government is now working on a mechanism that will allow it to collect the same amount for next year, since this year the amount was obtained by means of a state of emergency decree.

Gaviria Comments on Summit, Cuba, Other Issues

PA3107014691 Bogota EL TIEMPO in Spanish
22 Jul 91 pp 1-A, 8-A

["Exclusive interview with President Cesar Gaviria by reporter Edulfo Pena in Mexico City on 21 July]

[Text] In a suite at the Camino Real Hotel in Mexico City, President Cesar Gaviria said on 21 July that his government no longer feels the same "moderate optimism" as it did in previous weeks about the possibility of reaching a final peace agreement with the Colombian guerrillas.

Gaviria pointed out that the terrorist actions of the insurgents only cause "pessimism." He said, however, that his government is hopeful about reaching political solution to the armed conflict.

The president also said that the reopening of relations with Cuba occurred because, in his opinion, the conditions that caused the suspension during the administration of liberal President Julio Cesar Turbay Ayala no longer exist.

He flatly rejected that there would be any changes within his government team before 27 October. When asked if this might happen after the elections, he responded: "It could be...," in a doubtful tone.

The following is the text of the exclusive interview with the chief of state by EL TIEMPO:

[Pena] What results did the Latin American summit have for the continent?

[Gaviria] Latin America is making a great effort to implement those mechanisms that will allow it to talk with the rest of the world. Today we policies are designed around blocs. I believe, of course, that the Latin American bloc will provide the instruments to negotiate and trade with the other blocs in the world.

[Pena] What results did the summit have for Colombia?

[Gaviria] To Colombia it is very important to move forward within the process of integration. That is the central point of our foreign policy. We have progressed in consolidating the Andean Group and we are about to sign the Group of Three agreement, which will further allow a free market among Mexico, Venezuela, and Colombia.

I also believe that Spain and Portugal will serve as our spokespersons at the EEC, so that it does not become a protectionist bloc and opens its doors to free trade.

[Pena] Why did Colombia seek to reopen relations with Cuba?

[Gaviria] Colombia was practically the only South American country with no relations with the island. We made this decision along with Chile and Uruguay.

We established commercial and consular relations, which, of course, does not imply approval of their political regime. If that were so, many things regarding the international community would begin to crumble.

Furthermore, the Colombian Government believes that the conditions that caused the suspension during the administration of President Turbay no longer exist. I believe that the conditions were there to reestablish this level of relations.

[Pena] Can the reopening of relations with Cuba contribute to disarming the guerrilla fighting in Colombia?

[Gaviria] We are sure that Cuba is not interfering in the internal affairs of Colombia and we believe that this phenomenon has been overcome. There is no doubt, however, that there is a group of countries, with whom the guerrillas have relations, that are their friends, and whose advice they seek. France, Spain, Mexico, and Cuba are probably on that long list.

Thus, we have been keeping these governments informed about the development of the Colombian situation for the past few months. This allows the specific issues of the Colombian process to be known and avoids generalizations about the situations in other Latin American countries.

I think it is possible, then, to ask the political parties in these countries to help us to create an atmosphere of peace in Colombia.

[Pena] Do you still have the same optimism about the agreement with the guerrillas as you did few weeks ago?

[Gaviria] The dialogue atmosphere has deteriorated, of course, because of the guerrilla terrorist actions. That moderate optimism has lost its strength and intensity, and I believe that the terrorist attacks can leave only a pessimistic attitude about what may happen at the talks.

Nevertheless, the government will push forward in its search for a political solution as long as the talks continue to mean something. If we should conclude that the process is going in circles and that the talks are leading us nowhere, then, of course, dialogue for the sake of dialogue will lose all meaning. If the guerrillas make no effort to meet the minimum conditions to keep the talks going, then all meaning may be lost.

A Trip to Brazil

[Pena] What are Colombia and Brazil looking forward to in regard to coffee?

[Gaviria] We have common goals. I hope that my official trip to Brazil in September will allow closer and more advanced contacts on coffee matters.

We hardly had a chance to talk with President Collor de Melo in Guadalajara, but we mentioned the high loses that our two countries have had on the international coffee market. However, we did not manage to look into any proposals, so I believe we will see some progress.

[Pena] Do you think the Ibero-American Summit confirmed the Colombian strategy in the fight against drug trafficking?

[Gaviria] The whole Ibero-American community recognized the Colombian struggle against drug trafficking and the policies we have followed in this area. The presidents believe the surrender of the drug trafficking kingpins to be good news for the world community. They also expressed their confidence that the justice system will work efficiently and appropriately.

The Medellin Subway

[Pena] What did Colombia get from Spain to help with the Medellin Subway crisis?

[Pena] I spoke with Spanish President Felipe Gonzalez and asked for his cooperation to find a solution for the Medellin Subway problem. He made a commitment to personally work on the matter and to find a solution, especially for the problem of the credit granted by Spain and Germany. We hope to reach a conclusion soon in order to help the Medellin Subway solve of its problem.

[Pena] Why was the issue of foreign debt downplayed at the Ibero-American Summit?

[Gaviria] The Latin American foreign debt problem, which continues to be a disturbing issue, is being set aside. I believe that this was the first continental meeting of any kind in which foreign debt was not the primary discussion topic.

This is so because a large number of countries have signed agreements with their creditors. The continent is making an effort to put the problem behind it; to look upon it more positively and not allow it to shape their relations with other Latin American countries.

I believe that the foreign debt issue during the 90's will have a very different outline from what it had in the 80's.

[Pena] Do you believe the doors that have been opened for Fidel Castro could lead to an internal policy review on the island?

[Gaviria] We are sure that Cuba will undergo changes in order to adjust to the latest events. We all hope that the changes come independently within Cuba, without any violations of the country's right to self-determination. This is how the Latin American leaders view the matter and how we expressed it to President Castro. We hope that these changes come.

[Pena] On the issue of national politics, will there be any cabinet changes before the 27 October election?

[Gaviria] Those cabinet changes will not come before the election.

[Pena] And after the election?

[Gaviria] It could be....

Agreements To Be Signed With Spain, Cuba

PA3007222091 Bogota EL TIEMPO in Spanish 23 Jul 91 pp 1, 7A

[Text] Colombia will sign judicial cooperation agreements with Spain and Cuba for the purpose of gathering information for the trials of drug traffickers held under arrest in national prisons.

President Cesar Gaviria revealed this during a news conference yesterday in which he explained the reasons that led him to restore consular and trade relations with the Cuban regime of Fidel Castro.

He said Colombia has been promoting judicial cooperation agreements, especially with the countries that have much information in the drug trafficking field.

The president said Cuba was asked to sign the agreement because Colombian authorities are certain this country has information that could be useful for the trial of drug traffickers.

Gaviria, who pointed out that he had several conversations with Fidel Castro during the recent Ibero-American Summit held in Guadalajara, Mexico, said he is convinced that "at some time Cuba can help bring peace and coexistence in Colombia. We hope that whenever he gets an opportunity, he will cooperate with us."

He said he talked with Castro about the Latin American and world political situation as well as the peace processes in Central America and Colombia.

The president said, however, that Colombia did not ask Cuba to mediate with the Simon Bolivar National Guerrilla Coordinating Board in the dialogue process that is taking place with that subversive group. "We are not expecting that mediation. We are sure that our pluralist international policy contributes to the peace process in Colombia," Gaviria added.

He said, "What we have been doing is keeping friendly governments informed about the development of the peace processes in Colombia. We have a certain fear about generalizations being made, about people believing that the Colombian situation is similar to that of some Central American countries, and about the democratic evolution of Colombia not being fully understood."

In addition, he asked the guerrillas to suspend their terrorist attacks and return to peace talks. "Despite the deterioration of the talks, I have always felt we have to keep the door open to political solutions."

Finally, Gaviria said that in view of the terrorist wave of attacks against the electricity and petroleum infrastructure over the last few days, the government will implement greater security measures as well as revise the antiterrorist plan, which was drafted last February.

Editorial on Renewing Relations With Cuba

PA3007033491 Bogota EL TIEMPO in Spanish 21 Jul 91 p 4-a

[Editorial: "Relations With Cuba"]

[Text] Relations between Colombia and Cuba have always been a thorny and controversial topic. It has come to the fore again with the announcement made in Guadalajara that new relations will be established between the two countries. President Gaviria said that initially those relations will be limited to just an exchange at the consular and commercial levels, but that they are, of course, the first step toward the reestablishment of formal diplomatic relations.

This immediately evoked reactions and questions, many of which we share. Does it make sense to extend a hand to Cuba precisely at a time when it has been placed at bay by the rest of the world, including some of its former patrons? What advantage does this shift in policy provide for Colombia? Is this surprising shift due to a regional or continental strategy that is unknown to us? In short, the questions are neither few nor simple.

To begin with, it leaves a bitter taste to know that all this was done behind the country's back and without even consulting the Foreign Relations Advisory Commission. If such topics are not to be discussed by that commission, what subjects are? Apart from procedure, what needs to be clarified is the basis of such a decision.

Diplomacy today is not governed by ideology, but by pragmatism. It is from this viewpoint that we fail to see the benefits for Colombia.

Reciprocal advantage within the spirit of nonintervention is one of the principles currently in vogue that was invented by diplomatic strategists as a framework for bilateral relations between countries. It is something like the variable geometry theory that Mitterrand spoke about in multilateral relations. For Cuba, there is undoubtedly an advantage in a rapprochement with Latin America, and hence with Colombia, at this time when it has its back to the wall.

However, it does not fail to be ironic that the only undemocratic country in Latin America, and the most interventionist country of recent times, as Cuba has been with its determined policy of promoting armed insurrection in Latin America and its direct intervention in Africa, should now appear in Guadalajara to call for the democratization of the United Nations and to defend, with barefaced opportunism, the principle of nonintervention. Such a shift is due to very specific interests; the worst thing that could happen to Fidel Castro would be for any country to get involved in his internal affairs.

And what are the advantages for Colombia? Did Cuba perhaps promise to pay its outstanding debt to the Colombian treasury? What good can a regime condemned by history do for Colombia? The only thing that comes to mind is the influence that that regime might still have on the Colombian guerrillas. There are differences of opinion in this regard. However, even if that influence were only symbolic today, it would still be important. If something in this regard was negotiated with Cuba, then the surprising announcement might be justified.

The other important factor is the need to give Cuba a dignified way out of its dilemma. If all this were part of a strategy to facilitate a transition to democracy by the Castro regime, it would also be a step in the right direction.

The government must explain all of this to the public. However, it is hoped that this rapprochement will not be translated into the granting of most-favored-nation treatment to Cuba in forums like those that deal with human rights. Colombia has been on that front before, and in that area it has been generosity itself, without having received even the slightest detectable reciprocity to date.

Medellin Cartel Terrorist Reportedly in Bogota

PA3007221291 Mexico City NOTIMEX in Spanish 2001 GMT 30 Jul 91

[Text] Santa Fe de Bogota, 30 July (NOTIMEX)—Colombian police authorities disclosed today that Brances Munoz Mosquera, alias Tyson, who is considered to be the chief "terrorist" of the Medellin Cartel, and four bodyguards have arrived in Bogota "for unknown reasons."

Tyson, who is thought to be responsible for attacks carried out in Bogota and Medellin between August 1989 and May 1990, remained in hiding after his boss, Pablo Escobar Gaviria, surrendered to the Colombian Government.

The Administrative Department of Security—the Colombian intelligence agency—has said that because of Tyson's presence in Bogota, all police units have been put on red alert in order to locate him.

According to a judicial source, "the only known fact is that he continues to be involved in drug trafficking, despite the break up the Medellin Cartel."

The same source added that Tyson and Dandeny Munoz Mosquera, alias "La Quica," are the only two members of the Medellin Cartel who have not surrendered to Colombian justice, which provides benefits of non-extradition and a reduced sentence.

During the month of June, the head of the Extraditables, Pablo Escobar Gaviria, and 12 of his lieutenants decided to surrender under the benefits of the emergency legislation. They have since been imprisoned at Envigado, a maximum security prison.

Peru

Fujimori Delivers 'Message to the Nation'

PA2907224991 Lima Radio and Television Networks in Spanish 1647 GMT 28 Jul 91

["Message to the nation" by President Alberto Fujimori on the occasion of Peruvian Independence Day events and the first anniversary of his inauguration at the Legislative Palace in Lima—live]

[Excerpts] [Fujimori] Mr. Congress President, Messrs. Representatives, one year has gone by since I addressed the nation when I assumed the Presidency. Once again I come back here, in strict compliance with the Constitution, to address the Peruvian nation before the parliamentary representatives.

I do not want to start this message without extending my greetings and congratulations to the new presidents of the Senate and Deputy Chambers, Felipe Osterling and Roberto Ramirez del Villar, respectively, [applause] and through them to their board of directors. I hope that during this new year we are starting—after coming a long way as far as government actions are concerned—we can cooperate in all that is beneficial for the nation. I hope that this will hold true, and that the laws which the people need will find true promoters in the powers that we represent.

As I look back, I have memories of illustrious visitors, heads of state, and representatives of friendly nations who came to support with their presence the results of the will of a people who had chosen the road to democracy and to civilized coexistence. On 28 July 1990, the whole world focused its attention upon a people and a government that were facing an extremely difficult economic and social situation. For many, this situation was incompatible with the survival of democracy itself. On that 28 July—also as an expression of the people's will for a change, for a radical change of ideas, methods, and the men who led the majority of the people—a government was born. This government was born the same way that the highest hopes are born, hopes that are born out of their own force, out of the will to succeed.

For some foreign observers who ignore Peruvian history and therefore its human potential, Peru was doomed to civil war, anarchy, and disintegration. Likewise, some Peruvians, who still do not understand that this nation is being formed and that it has wonderful energies that are just awakening, also held that apocalyptic vision. Nevertheless, we Peruvians are here rebuilding our nation. True, it is with difficulty that we are rebuilding it, the way a nation devastated by war is rebuilt, but we are not buried under the rubble. Rather, we are standing atop the rubble, removing it and building new and solid foundations in a clear demonstration of our ability as a people to survive and even succeed amid the worst conditions. This is why when the economic program was outlined, the same program that established a six-fold increase in the price of fuel—using as a reference the 30 cents a gallon in June—we did not hesitate to act realistically. On 8 August when this price fell—due to the uncontrolled inflation—to six cents a gallon, the increase was no longer six times higher but 30 times higher. [sentence as heard] Some of our instant opponents at that time pointed to the tremendous scope of the increase: a 30-percent increase in the price of gas. They neglected to note that six cents per gallon of gas was almost equivalent to the price of water. That increase, as well as that of other prices, was really an eruption of—and a logical response to—the unstoppable economic deterioration that defied every means of control of the longest running inflation period, not just in the history of Peru, but the world. On 8 August, we decided to do what a government does that is committed to its people, to its history, and not to electoral posts or to applause. We decided to strip the economy of deception, deceitfulness, and fraud, and then face up to our reality. [passage omitted]

This is why the measures that have been implemented to secure economic stability have been a hard, difficult, road for the majorities, but it is a road that had to be taken in order to end the days of uncertainty that hyperinflation had created. That is why fiscal discipline and austerity implemented since the beginning of this government have been perceived as the correct conduct for a state that was devoid of resources. Messrs, people of Peru, today the machinery has cobwebs. [shouts in the background, applause] There are those who have termed this pedagogy as insensitive, as if it were wrong to teach a person to live from what he earns and not live in fantasy.

I do not want to list here the lack of understanding, the cheap actions, or the obstacles that have been placed on the road to reconstruction, which we started marching

on 28 July. What is important is that we have not stopped moving, that they have not been able to stop us.

This is why during the year that has gone by, my government, on behalf of the people, has had to urge many institutions to fulfill their obligations and to obey the law. Institutions are not above the country. There has never been any abuse of authority but calls for respect for the Constitution.

This is why we urge the judicial branch to protect the human rights of accused people and to apply penalties in the framework of the law.

The judicial branch, the good justices, have reacted appropriately, subordinating themselves not to the executive branch, but to the Constitution, and this deserves the respect of the people and the government, who nevertheless will always be alert.

There have been many privileged sectors in Peru, which have been found in diverse areas. From the university to the ports, the governments have permitted these sacred cows to get fat. For us, however, there are no sacred cows. Now many of them are mere heads of cattle, who have to give what is expected of them or else end up as a carcass. [applause] For a long time the agitators, and later simply terrorists, made of the university campus what they wished. The power of the authorities did not reach them. There, they were the authorities. My government, picking up a demand that nobody can ignore—that of the student who wants to study, and of the parent who is making a sacrifice to have his son go to school—has reestablished authority and order in the national universities.

After almost two decades during which the legitimate authority of the university authorities and the spurious power of political extremism coexisted at the university, the university is again a study and research center and not a place for political indoctrination or receiving subversive training.

I have asked those who have been demanding university autonomy to be responsible. It is the armed bands of the terrorists who have first and most flagrantly violated university autonomy. They have installed a totalitarian atmosphere at the university campus. Where were those who are now making demands when terrorists were issuing death threats against the authorities, students, and workers, when they denied these people their right to freely express themselves?

We just want the authorities to be authorities, the walls can be walls, and the classrooms should be places in which to study. [applause]

In view of a serious situation, which includes the presence of weapons, explosives, and criminals at places where our children study, we cannot engage in an irresponsible interpretation of autonomy to justify terror. It is time for many to break with the comfortable and irresponsible stance of those who elude decisions.

Other privileges have been established in Peru for decades because we allowed it, perhaps because we failed to foresee the consequences. Have we not always agreed on the need to end the chaos which prevailed in our ports, provoked by minorities? Our exporters had to suffer and these minorites were responsible. No authority was capable of restoring order. ENAPU [National Ports Enterprise] became paralyzed as soon as the government planned a reorganization so that El Callao would no longer be the most expensive port in the world. All that is over, just as the obligatory reserve of cargo for Peruvian ships is over. This monopoly also affected our foreign trade. Other privileges enjoyed by other groups, to the consumers' detriment, have also stopped.

I have said many times that we will not recant. This is not a boast. We will not recant because those who ask us to rescind our actions are only a minority that defends their own interests. We are aware that the defense, without concessions, of our national interests will allow a new society in which social, economic, political, and cultural agents will go about on their business in democracy and free competition. That is what we want to achieve. To recant would be tantamount to recognizing the power of a minority and its spurious right to an advantage over other minorities and the majorities of Peru. Our political concept is truly democratic; and this is not Fujimori's democracy. It is the democracy that the best minds of Peru promised, and that have been a reality. We will build that democracy without falling back, always looking toward the future. [applause] [passage omitted]

The situation in which we received the country was chaotic by any measure. The country was living with short range solutions, with the highest rate of hyperinflation of the present century. Foreign accounts were in such a state of deterioration that the accrued loss of net international reserves during the last eight months was greater than $500 million. We were handed a widespread situation of continuing deterioration in almost all the public enterprises and agencies. Because I am an engineer and mathematician, I prefer numbers over words. We found the Central Bank of Peru without any reserves to cover the deposits made by the Social Security Fund for a total of approximately $60 million. The bank could not cover the $120 million in deposits made by the military and Police retirement fund. Both amounts had been used, consumed, to cover the budget deficit.

Many enterprises have been handed over with atrociously negative balances: Siderperu [Peruvian State Iron and Steel Enterprise] with $50 million; Petromar [Petroperu subsidiary] with $22 million; ENAPU with $20 million; Petroperu [Peruvian State Petroleum Enterprise] with $554 million; Electroperu [Peruvian State Electric Power Enterprise] with $143 million; Electrolima [Lima Electric Power Enterprise] with $57 million; Sedapal [Lima Water Service Company] with $67 million; ECASA [Rice Marketing Enterpise] with $15 million; Peruvian Fisheries with $43 million; Hierroperu [Peruvian Iron Mines Enterprise] with $46 million; Corpac [Corporation for Airports and Commercial Aviation] with $68 million, and so on. All the totals are in

dollars. These and many more represented a total loss of $2.15 million at that time. [passage omitted]

What this means is simply that if we had not taken the 8 August measures, that were criticized so much with demagoguery, the total collapse of our economy would have been inevitable. Now that there is a certain stability is seems easy to criticize.

At the same time, the technical disarray in fiscal management was such that the tax stress indicators were hardly greater than four percentage points. The devaluation rate of our currency was so fast that there are now bills of several denominations laying in the Central Reserve Bank that cost $2.8 million just to print. We have no idea what to do with so many bills with such little value. Perhaps our numismatic friends can find another type of value for them.

We are suffering the social cost of that state of chaos and inflation now, as the middle and low classes would attest. Although it will continue to decrease, it will be felt until we recover our credit and cover our internal debt. The most recessive tax is inflation itself, which cannot be ignored, because it affects the poor, the workers, the retired, and the displaced the most. It does not affect the rich, who protect themselves and prefer speculation.

Hyperinflation also affects relative prices constantly and noticeably, making economic planning and investment highly difficult.

It is simply impossible to successfully begin an economic reactivation program or to try to carry out a specific strategy for growth without correcting the hyperinflation problem and stabilizing the economy.

The main aspects of the stabilization plan are based on an austere fiscal policy, where expenses will depend on the income, and which will have as a goal the creation of a surplus in government accounts to invest it in development works.

We must emphasize that fiscal policy plays a central role in the stabilization policy. It is not by chance that this has been called the year of austerity and family planning. Hence, we have not issued paper money or requested credit to cover current expenses. Instead, we have silently cleaned up accounts everywhere.

Because we inherited a crisis, we cannot report impressive accomplishments in one year. However, we are steadily moving in the right direction. Having lowered the inflation rate from 50 percent to 10 percent a month is not acceptable yet, but it is a good signal for foreign observers and returning national capitals. [Deputy shouts indistinct words] Also, the position of the Central Reserve Bank has been visibly strengthened, helping to reduce our vulnerability in the face of unanticipated fluctuations.

With the kind of foreign policy we found in July 1990, we would not have been able to face adverse fluctuations in our foreign commerce. In such a critical situation, to go from minus, minus [repeats himself] $107 million to $700 million also constitutes a good signal. [applause] [Deputy shouts indistinct words]

We have had serious difficulties in dealing with wage increases for the public sector. We will not resort to the method of putting the mint to work to pay long-suffering teachers and nurses. We are not going to continue deceiving workers that way because this kind of solution harms those who apparently stand to gain by it and the rest of the population through the flare up of hyperinflation.

Hence, our insistence to the legislative branch to approve measures that allow us to collect greater resources without harming the economy of the people; to pay better wages to everyone, we need more revenues. I am proposing, therefore, the creation of a 1 pecent tax on the general sales taxes earmarked to reinforce education.

It has also been said that the government can and should increase salaries and not pay international financial organizations. To what extent, and how much? Less than 10 percent of our exports, or simply not pay anything? We have done a lot to recover Peru's credibility before the IMF, the World Bank, and the Inter-American Development Bank. Apparently, however, this means nothing for many people who still maintain the old ideas of the former Communist Europe, although today those countries are doing everything possible to be accepted by those organizations. In other words, some people want to go against historical trends. They can if they want, but Peru will not follow them. I understand that the Congress of the Republic fully agrees with the process of reinserting Peru into the international financial community. [applause]

This can be deduced from the approval of this year's budget law, which also authorized payments abroad. Consequently, the payments were not capriciously made by the executive branch. They were necessary within the reinsertion process and, as I said, they were approved by congress in the budget law.

When I was a simple university teacher and director of a television program, I frequently heard discussions on industrial reconversion. I have heard about this possibility with interest and expectation. However, despite the sensible debates, I never knew of any specific action. Modestly speaking, now with firm steps we have modified customs tariffs that protected a few. Now that we have reduced customs tariffs from 80 to 25 percent and from 50 to 15 percent, industrialists have been forced to work with more efficiency, and naturally are seriously considering the possibility of changing their industries back to the way they used to be. Beginning this process seemed complex, very complex. However, we did not give it much thought as in the past. We simply ignored the existing privileges.

At the same time, we have created conditions so that our national products can face that challenge. Lower inflation, operational costs reduced to one third of previous amounts, and more economic transportation.

Therefore, the structural reforms program has been designed to face the challenge of our internal crisis. However, it is important to stress that by showing the rest of the world that we Peruvians are capable of initiating our national recovery by adopting measures that even include a radical tranformation of our institutions, we are also seeking a broad economic, financial, and commercial reinsertion of our country in the new world.

The roots of the crisis affecting Peru today originated at least 20 years ago. Consequently, the responsibility must be shared by several previous governments. [Indistinct shouts heard in background] The crisis we have found has been the result of a development strategy based on a highly bureaucratized and inefficient state that overlooked some of its basic functions in the areas of education, health, road construction, and security, and which introduced a highly destructive regulation on the financial and labor markets, etc. [indistinct shouts in background]

In accordance with Paragraph 7 of Article 211 of the Constitution I ask the Congress to consider soon the authorization for the executive branch to be able to carry out, through a legislative decree, an overall reform of the public administration and state enterprises. Both reforms will be fundamental to achieving the country's authentic development. [indistinct shouts]

The government reaffirms its determination to achieve the country's regionalization through an authentic decentralization [indistinct shouts] However, it must make it clear that the regionalization process it inherited brings or has brought some negative consequences to the country. It has reproduced in each region the same bureaucratic system of the central government, hence multiplying the problems instead of finding solutions.

In the area of regionalizing enterprises, the excesses have been even worse, as systems that must operate in harmony throughout the country have been dismantled.

All this demands new guidelines for the regionalization process in order to achieve an effective and above all democratic decentralization. In that regard, I must thank the political sectors that have backed our proposal to have all regional positions be the result of direct, universal, direct, and secret vote. [long applause] The reform of the costly, huge, and inefficient state apparatus we inherited has been one of our main concerns. [passage omitted]

The large state-owned companies should be in good financial condition before they are sold, because the government cannot afford to sell them for less than what they are worth. To accomplish this, some basic changes must be made. However, the implementation of specific changes will be the prerogative of the purchaser.

Another recommendation that we learned from past experience, which becomes a rule of thumb in this case, is that we must sell the state-owned companies for cash. This will give the state enough resources to meet the public's demands for health, education, and basic infrastructure services.

The administration of the resources obtained from the sale of public companies must be reported periodically to the country. This way, the people will know how much money will be spent, how much will be devoted to capital formation, and how much will finally be destined for the emergency programs to create jobs and social spending. Consequently, if someone thought of buying the state-owned companies at give away prices, that someone sure made a mistake. Our advice for that someone would be to seek other kinds of business deals, because my government is not going to sell the public companies for less than they are worth. We are fully aware and convinced that we are dealing here with the property of all Peruvians.

One of the priorities of this government is to promote and foster exports. Therefore, we think that it is indispensable to implement a total reform of our foreign trade. For us, the main objective of our tariff policy is to seek efficiency in the distribution of the resources, not a separate increase in collections and reduction in inflation. For a country with a small market like Peru, it is not convenient to maintain high tariffs. This results in high social costs, because high tariffs promote the lack of productive efficiency by allowing inadequate economies of scale in the production lines, as well as the presence of private monopolies and oligopolies. The latter, in turn, generates a high transfer of resources from consumers and some producers, particularly exporters, to the producers who are protected. It has been estimated that by July of 1990 the aforementioned transfer of resources at the level of tariffs of 15, 25, and 50 percent, which were in place in March of this year, were of approximately $1.6 billion.

In addition, it is inadequate to maintain a significant dispersion of tariffs, which have ultimately created excessive levels of protection for non-export industrial goods and reduced or negative levels of protection for export activities, including mining and fishing. In other words, this strategy is opposed to our goal of promoting exports.

In a country like Peru, which has serious administrative deficiencies and where fraudulent practices are common place, we must seek a tariff system that will easily be implemented, a tariff system that will not give opportunities to the discretion of the administrative authorities, because the system would then lead to corruption. In the case of Peru, the elimination of an impressive web of administrative obstacles of all kinds is just as important or even more important than the elimination of inadequate tariff levels. These administrative obstacles, which represented high costs for foreign trade operations, facilitated all kinds of payoffs and frustrated businessmen involved in exports.

It is not possible to speak of modernizing foreign trade, when several tariff instruments that affect it remain in place. These instruments not only reduce the competitiveness of our exports, but also establish excessive and

counterproductive protection for the national industry. This in turn results in higher internal prices. In reality, with the existence of these bureaucratic obstacles, the tariff mechanism had no reason of being.

This government has practically eliminated all the aforementioned tariff instruments. [passage omitted]

The proposed tax system will be made up of five basic taxes: a general sales tax [IGV], a tax on citizens, a tax on company assets, a tax on imports or duty, and a selective consumer tax. Regarding the IGV, this tax must be the most important of the tax system and, consequently, be the main source of revenue. Currently, what is collected with the IGV is barely over 1 percent of the GNP. We seek to achieve at least 6 percent of the GNP in medium term.

Regarding the income tax, it is advisable to simplify it to the maximum, to expand its base and reduce the deductions to a minimum, thus increasing the collections. The tax on company assets must be an indispensable complement of the tax on corporations to recover the revenue stemming from companies. Along the same line, the selective consumer tax must be a complement of the IGV. The overall tax reform will permit an increase in the tax revenue to permit the state to attend adequately to basic services—like health and education—improve and expand the physical infrastructure, and provide security at the national level. At the appropriate moment, the executive branch will ask the Congress for extraordinary powers to achieve this. [passage omitted]

Up until July 1990, the Peruvian foreign debt surpassed 22 billion [dollars]. This sum is equivalent to more than 500 percent of the exports of all the goods and services obtained last year. Of this sum, the medium- and long-term public debt amounted to 20 billion [dollars]. Sixty percent [corrects himself]...48 percent of this, that is approximately $9.5 billion dollars, are overdue, both on the payment of the capital, as well as on the payment of interest. The citizens must be aware of these figures and of the real composition of our debt.

Peru owes international organizations a total of $2,684,000,000, including overdue interest. Of this amount $1.3 billion are overdue and have not been paid to date. We owe a total of $6.8 billion, including overdue interest, to the Paris Club. Of this amount, $4 billion are overdue and have not been paid to date. We owe former socialist countries a total of $1.2 billion, including overdue interest. [shouts and pounding noises] Finally, Peru owes international banks $5.6 billion, of which $5.2 billion are overdue.

The high servicing cost of the foreign debt and its enormous unpaid balance are two decisive factors that must be considered in defining the treatment of the Peruvian foreign debt. We have sought to fully restore financial relations with the multilateral organizations, to reprogram the total of overdue payments with the International Monetary Fund [IMF] and the World Bank, and to obtain foreign resources to pay off the overdue payments to the IDB [Inter-American Development Bank].

In light of the criticism of the process of rejoining the financial system, my response is very simple. Peru must regain its right to participate in the IMF, in the World Bank, and in the international financial community. Obviously we seek a positive flow of fresh capital, but first it is necessary to regulate our relations with the previously mentioned organizations. We know that the credits of these organizations are intended for development projects and are granted under much more favorable conditions than in commercial banking. It is necessary that the people know why we are looking for $1.3 billion among friendly countries. Peru stopped paying international organizations in 1984 and what it did not pay amounts to $2.15 billion. To be entitled to new credits, we have to pay those $2.15 billion that were not paid. Peru is in no position to do so. That is why we have negotiated with the IMF, the World Bank, and the IDB through a reprogramming called: program of accumulation of rights, which will permit us to regulate these overdue payments, not with the $2.15 billion, but with $1.3 billion, which Peru does not currently have. The countries friendly to Peru, identified with the efforts of its government and people, are going to grant us loans with concessions. These countries will pay for us and, at the same time, we will pay them in favorable conditions, with several grace periods, low interest rates, with an average term of 10 years. What Peru has not paid, therefore, will be paid by friendly countries which are showing us their solidarity in this manner. [passage omitted]

Regarding the antiterrorist struggle, in the struggle against drug trafficking the state must not only maintain its presence as the authority or the body in charge of the areas affected by drug trafficking, but also win over the farmers and the residents instead of repressing or pushing them toward the terrorists or drug traffickers.

This is why it was a very important move to have recognized coca leaf farmers as valid interlocutors in the dialogue to replace crops and thus create alternate sources of development through supreme resolution No. 293 PCM.

A few days ago, in the presence of the defense minister, I met with approximately 180 coca leaf farmers at the government palace. They reiterated their willingness to hold talks and help reach a total solution to the problem of narcotics trafficking. I want to point out here that, as in the case of the peasant patrols, the organized population is siding with the government in a conscious, moral, and decisive manner to free Peru from its present enemies.

We have signed three agreements totalling $100 million with the United States of America. This will allow us to finance the renovation of certain trunk highways, construct hydroelectric plants, renovate airports, purchase military equipment—but without the participation of military advisers—and police equipment.

These agreements have not yet been placed under the framework of the main agreement signed in mid-May. It

is expected that within six months the annexes to that framework agreement, which are currently under discussion, will be signed.

The struggle waged at Alto Huallaga by the forces of order has been characterized by firmness. Several drug traffickers' planes were seized or downed. It sufficed to give some thought to the participation of coca leaf farmers in the drug trafficking business to make us realize that it was a great mistake to have considered them as links in this criminal chain.

More or less objective estimates point to an approximate drug trafficking flow of $100 billion. Peruvian coca leaf farmers receive, as suppliers of goods, that is coca leaves, only $100 million; in other words, one thousandth of the total flow involved in this criminal activity.

They are, therefore, the victims, the objects of exploitation of criminal organizations. Nevertheless, we must point out that Peruvian coca leaf farmers produce 60 percent of the goods needed by the narcotics industry. It is obvious then, that we must cut off this supply, but we must also at the same time free 200,000 farming families from narco-power in order to destroy it.

As for human rights, the government's policy is to promote and respect them in their widest interpretation. It is not possible to talk about basic human rights if we fail to simultaneously seek the country's overall development. The government is tenaciously struggling to ensure respect for human rights by trying to create a healthy economy that will allow all inhabitants of the Republic to enjoy the social and cultural rights with human dignity.

The destruction of the nation's assets and sabotage against the government's efforts to overcome the generalized crisis are factors that adversely affect the respect for such rights and other basic rights such as the need for peace and tranquillity or an opportunity to achieve social, economic, and personal progress.

However, in addition to the destruction of national assets the colluded forces of drug trafficking and terrorism are systematically violating the individual and collective rights of Peruvians. The barbaric attacks on life and the atmosphere of terror that many segments of the Peruvian population are experiencing make it necessary for the state, in compliance with its duties and in protection of the population, to very vigorously combat subversion within the permanent framework of respect for the individual.

We cannot ignore some excesses carried out by a few public force members who, ignoring express orders to respect human rights, have carried out unlawful actions, which the government strongly condemns and justice must punish. On 28 July 1990, I announced that my government would create a national human rights committee presided over by a presidential commissioner with sufficient authority to guarantee those rights in all their aspects.

I assume my responsibility in this regard and definitely commit myself to appointing this commissioner during my second year in government. This appointee must be a person with special qualities, high credibility, prestige, objectivity, and social awareness.

An OAS publication lists Peru as the country with the most abuse reports between 1984 and 1990. That figure has dropped significantly and we are trying to ensure that it continues to do so until we are mentioned in more honorable statistics and not in these ones.

It would be very advisable for international organizations that defend human rights to place special emphasis on condemning at the international level the barbaric attacks committed by terrorist groups in Peru. Little of this is known abroad. However, here in Peru we know that these mad actions take place over and over again.

As you all know, several negative incidents caused by bad elements within the National Police have taken place in the last few weeks. These incidents have had a large impact on public opinion. Thus, before analyzing the current situation of the police, I want to state clearly that the isolated cases perpetrated by some corrupt, immoral, abusive, or mentally unbalanced policemen must not be used to affect the image of an institution that is working very hard in the difficult struggle against terrorism and guerrilla violence. I agree it is necessary to proceed with reorganizing the National Police. I believe this is necessary, not only because of the aforementioned negative incidents, but basically because reality is showing us that the current organization, procedures, professional training, values, and even the mentality of their members is out of touch with the growth, with position and direction, of Peruvian society at the present hour.

As a result, we believe that it is time to analyze the origins of the police problems to establish the new direction of police. It is the hour to redefine the organizational structure of the police, select their ranks more appropriately, change their professional training plans, and instill in them a new spirit so that the institution can occupy its place in society. When speaking of the National Police, we must take into consideration, more carefullly than any other issue, that the country is facing a state of internal war against terrorism and its ally drug trafficking. We must take into account that these social scums may be hidden somewhere waiting for us to adopt the grandiloquent measures that some political groups are demanding, which would surely be used by our enemies to secretly reorganize their forces and recoup lost ground.

However, we will not make that mistake not only because of our strategy, but because we are convinced that no matter how justified the anger of the population against some corrupt and mentally unbalanced policemen—who sometimes point the weapons received from the people against the very people—these continue to be isolated incidents. The institution, in general, has demonstrated that it is at the vanguard to protect and defend the people from the narcoterrorist hordes. Thousands of

policemen throughout the country not only face the common enemy every day, but they have paid the highest sacrifice in the defense of the people on several occasions. For the sake of democracy, this cannot be easily forgotten.

I personally recognize those good Peruvians and policemen and I express solidarity with the relatives of those fallen. The state and the country, in general, recognize a great debt to the relatives of those fallen. For this same reason, I want to congratulate the Dircote [Counterterrorism Directorate] on a job well done capturing and identifying terrorists. This demonstrates that technical and patient intelligence work has immediate results. I also extend my congratulations to all brave policemen, particularly those who technically and skillfully deactivate explosives, even risking their lives. [applause] [passage omitted]

Honesty in the current government has not been and will not be a simple electoral banner or cliche. For us, honesty is a way of life. The people know that in this respect we have the lead and cannot be outdone. We are not tied down to any political or party commitments or, much less, have economic ties with any economic power group. Our hands are free and we have the honesty to be able to confront any type of pressure and come out ahead each time. [applause]

During the first year of government, the country has witnessed the singular improvements in this respect in the high spheres of government. With the greatest patriotism and leaving to one side any type of interests, we called the most capable men to manage the different sectors of public administration a year ago. The pluralism and appropriateness of the selection could, perhaps, be one of the factors that drastically reduced the lack of honesty in the high spheres of power. The country knows that any indication of corruption was drastically severed, months ago, before it damaged the government and the public treasury. [applause]

Today, nobody can contend that this government protects corruption. Rather, we ask that these acts be denounced so that we can drastically suppress them. [applause] Undoubtedly, there is still some corruption—for example in the customs department—we increase our moralizing campaign every day. I can give some examples to show our undeclinable will in this respect.

Based on the results of a congressional commission's investigations on the illegal handling.... [applause interrupts]....of the [word indistinct] by an airline company, the Ministry of Transportation denounced the case legally and presented the necessary evidence. Unfortunately, with the exception of one, all the people who were charged have yet to be found. [loud protests]

Another case that could be included in Ripley's Believe It or Not, took place in Petroperu [State Petroleum Agency]. The oil company signed a contract with a firm which was to provide food service for the workers [words indistinct]. When we entered the government, we found that Petroperu paid—due to inflation reajustments—the pretty incredible sum of $70 per ration a day. The directorate considered this excessive and decided to cancel the contract and start a bid to select a new purveyor. One of the firms that came to bid was the same one that had charged us $70, but offered the same service for the very special price of $23 per ration. Fortunately, the firm did not win the bid as other firms had bid lower. Now, Petroperu saves $8 million a year. [applause]

Another example at the same organization is that a group of employees retired although they did not have the right to receive the benefits of retirement law 20530. In money, this represents approximately $10 million a year. In this case, I would like to request that a parliamentary commission investigate it and take the necessary pertinent steps. [applause]

We have stopped the dishonest actions that used to occur in one of our public offices every day, such as in the traffic directorate and in the maritime comptroller commission where we have streamlined procedures that used to encourage bribery. In short, we can assert that today we have uprooted several Mafia organizations that used to operate with impunity and that the sale of public positions and magistrates and prosecutors appointments has disappeared. However, the moralization process will continue to increase. It is necessary to call citizens to give their full support by denouncing the people who are dishonest. We have to be aware that the healthy development of a nation is not possible when dishonesty runs rampant. Dishonesty is society's cancer and ends up by destroying it.

Before ending this long speech, already three and one-half hours long, [indistinct mumbling from audience] I want to express my gratitude to the friendly countries which have been present at difficult times for Peru, such as the ones we experienced as a result of the earthquakes that affected San Martin Department and the cholera epidemic that hit our country.

I also want to express my gratitude to the countries that have helped us with donations of food, equipment, and vehicles and with technical cooperation. Once again, I express my thanks to the member countries of the Support Group.

In this year of government, I have had two cabinets. The first was headed by Engineer Juan Carlos Hurtado Miller and the second by Dr. Carlos Torres y Torres Lara [applause]. My gratitude to my friend, Engineer Hurtado Miller, for having accompanied me with great courage in very difficult times. I also express my recognition to all the members of that first Cabinet. I express my thanks and congratulations to Dr. Torres y Torres Lara and all the members of the current Cabinet. [applause]

In conclusion, I want to thank the Peruvian people, those wonderful, intuitive people who have shown strength in these difficult hours, who brought me to office, and who have not abandoned me. I tell them that I will never forget them, that I will always work for them. They

should know that if today the fruits are not visible, tomorrow they will be visible and abundant. [applause]

Fellow countrymen: The worst is over. Peru's fate is decided. We are moving forward and the speed with which we move forward will always depend on us. The threat of the dissolution and disintegration of our fatherland is behind us. There are still enemies to overcome and battles to win, but the war is decided in our favor because those who dream of the ruin of Peru, drug trafficking and subversion, will no longer nourish themselves from despair and confusion. May the God of all Peruvians continue to enlighten us so that peace and happiness will again bloom in this land. Thank you very much, Mr. President of the Congress. [applause]

Police Reports Shining Path Leader's Arrest

PA3007211491 Mexico City NOTIMEX in Spanish 1951 GMT 30 Jul 91

[Text] Lima, 30 Jul (NOTIMEX)—One of the main leaders of the Maoist Shining Path group, who led the assassinations of more than 100 people in the Alto Huallaga zone (northeastern Peru), was captured here over the weekend, police reported today.

According to the authorities, Arturo Guzman Alarcon, a.k.a. "Antonio" or "Clay," is responsible for Shining Path's so-called "Principal Force" and the perpetrator of a number of assassinations and attacks in northern San Martin Department.

The source reported that Guzman Alarcon arrived in Lima approximately 10 days ago from Alto Huallaga—the world's primary coca leaf producing zone—to "coordinate" a number of subversive attacks.

The source says that the Directorate Against Terrorism (DIRCOTE) had been "closely watching" the rebel leader since 8 May, following the arrest of Juan Carlos Galvan—considered the political leader of Shining Path's four "companies."

The police said Guzman Alarcon was in charge of the "companies," which have executed more than 100 people in the zone.

During the operation, carried out in the outskirts of San Juan de Lurigancho district (north of the capital), the police arrested 37- year old Victor Alarcon Varamendi, an alleged Shining Path member and adviser to the budget commission of the congress.

* Poll Shows Businesses Support Reform Program

91SM0397C Lima PERU ECONOMICO in Spanish Vol XIV Jun 91 p 15

[Text]

According to the 1-5 ranking below, rate your opinion of the government's activities in each of the areas that follow.						
1 = Totally Agree						
2 = Agree						
3 = Indifferent						
4 = Disagree						
5 = Totally Disagree						
Activities	**Percent**					**No Response**
	1	2	3	4	5	
Stabilization Program	16.0	74.0	1.0	6.0	-	3.0
Exchange Rate Policy	12.0	63.0	6.0	15.0	3.0	1.0
Tax Policy	11.0	43.0	9.0	30.0	3.0	4.0
Customs Duty Policy	29.0	55.0	5.0	9.0	-	2.0
Financial System Reform	34.0	52.0	8.0	4.0	-	2.0
Labor Legislation Modification	35.0	54.0	4.0	5.0	-	2.0
Reintegration Management	33.0	56.0	4.0	6.0	-	1.0
Antidrug Agreement	41.0	48.0	6.0	4.0	-	1.0
Government Relations With Business	20.0	58.0	11.0	9.0	-	2.0

Out of your firm's total costs, what percentage corresponds to security- related expenses? [answer] 7 percent

Which of the following measures do you consider to be the three most important for the country (please indicate in order of importance)?			
	%1st	**%2nd**	**%3rd**
Antimonopoly and Antidumping Law	6.0	2.0	14.0
Public Investment Program	-	6.0	6.0
Regionalization Reform	2.0	3.0	6.0

Which of the following measures do you consider to be the three most important for the country (please indicate in order of importance)?

	%1st	%2nd	%3rd
Legislative Powers Reform	5.0	9.0	5.0
Judicial Powers Reform	2.0	10.0	9.0
Penal Code Modification	1.0	2.0	1.0
Antiterrorist Strategy	53.0	18.0	11.0
Fishing Law	-	-	1.0
Environmental Law	-	5.0	-
Investment Promotion Law	18.0	25.0	15.0
Labor Promotion Law	4.0	11.0	23.0
No Response	9.0	9.0	9.0

What is your opinion of your company's participation in the country's structural reform process?

	Percent
Should participate more actively	69.0
Is participating adequately	28.0
Should participate less actively	-
Should not participate	1.0
No Response	2.0

Compared to the previous government, how do you rate relations between the current government and the business sector?

	Percent
Much better	61.0
Better	39.0
The same	-
Worse	-
Much worse	-

Compared to the investment climate two years ago, how do you rate the one under the current government?

	Percent
Much better	34.0
Better	52.0
The same	14.0
Worse	-
Much worse	-

Compared with the situation two years ago, how do you rate the unity of the business sector?

	Percent
Much better	10.0
Better	35.0
The same	29.0
Worse	20.0
Much worse	2.0
No Response	4.0

APOYO carried out a survey of 115 business leaders attending the Business Enclave organized by CONFIEP [National Confederation of Private Business] on 1 June. The results of the 80 business leaders who responded to the survey reflect that relations between the business sector and the government are currently good, due in large part to the business leaders' approval of the basic lines of the economic scheme being implemented.

Uruguay

Navy Seizes Brazilian Fishing Vessel

PY2607035691 Madrid EFE in Spanish 1821 GMT 25 Jul 91

[Text] Montevideo, 25 Jul (EFE)—Navy spokesmen reported today that the Brazilian fishing boat Norton II was seized by an Uruguayan Navy vessel while fishing in Uruguayan waters.

On 24 July the frigate Uruguay under the command of Frigate Captain Alex Lebel seized the 45-ton Brazilian fishing boat, which is licensed in Rio Grande do Sul State, while it was fishing 45 miles off the coast of a sea resort in Rocha Province on the border with Brazil.

The boat was seized without incident. After an inspection, the Uruguayan crew found that the vessel was fishing and that its nets had been laid.

The Norton II was taken to the port of La Paloma. The case was reported to the court, which has ordered the seizure of fish and fishing equipment and imposed heavy fines for the release of vessels on previous occasions.

On 27 June, the Uruguayan Navy frigate Montevideo opened fire on two Brazilian fishing boats that were

fishing illegally in Uruguayan waters. This incident led to the Brazilian Government filing a diplomatic protest through its embassy in Uruguay.

Government To Establish Relations With Libya

PY3107002091 Montevideo BUSQUEDA in Spanish 25 Jul 91 p 4

[Excerpt] [passage omitted] Uruguay will soon establish diplomatic relations with Libya, but it will not open an embassy in that country. Relations will be handled by another embassy.

Relations with Libya are part of a plan to reorganize the Foreign Ministry with regard to relations with North Africa and the Middle East. This is aimed at strengthening Uruguay's presence in those regions to help increase exports.

Uruguay will also study trade possibilities in South East Asia.

Suriname

National Assembly Fails To Elect President

PY2707021491 Paramaribo Radio Suriname International in English 1730 GMT 26 Jul 91

[Excerpt] The new president of Suriname will be elected at the United People's Meeting. During the second round of voting yesterday, none of the three presidential candidates succeeded in getting sufficient votes to be chosen. The result of the second round of voting was similar to the first round with 28 votes going to the New Front presidential candidate (Ronald Tsibetshar), 7 for DA-91 [Democratic Alternative-91] candidate (Jard Pradah). NDP [National Democratic Party] candidate Jules Albert Wijdenbosch didn't receive any vote since his party had earlier staged a walkout in protest against the manner in which the proceeding and the National Assembly were being conducted. The president will be chosen at the United People's Meeting since none of the candidates received the required two-thirds majority at the National Assembly. [passage omitted]

Minister Resigns Due to Trafficking Charges

PA3007133491 Mexico City NOTIMEX in Spanish 1214 GMT 30 Jul 91

[Text] Paramaribo, 30 Jul (NOTIMEX)—Surinamese Defense Minister Rupert Christopher today announced his resignation due to drug trafficking charges made against him, the Dutch news agency "ANP" has reported here.

Paramaribo daily "DE WARE TIJD" cited reports that were published in the Dutch newspaper "NRC-HANDELSBLAD" linking Christopher with alleged drug trafficking operations headed by Army Commander Desi Bouterse.

Those activities were reportedly carried out between Colombia, Suriname, and the Netherlands.

Christopher also requested to be relieved of his military functions and asked Surinamese President Johannes Kraag to investigate the charges made by the newspaper.

Denies Media Accusations

PY3007225291 Paramaribo Radio Suriname International in English 1730 GMT 30 Jul 91

[Text] Defense Minister Rupert Christopher has yesterday asked President Johan Kraag to relieve him of his duties as minister. In a letter sent to the head of state yesterday, Christopher also requested that he be suspended as a soldier.

According to the minister, an article in the Dutch commercial magazine NRC is the direct cause for his resignation. In the article it's being alleged that Surinamese Army leadership is involved in the international cocaine trade and a big amount of raw and/or processed cocaine are being processed in Suriname and transported to Europe. Christopher said he is tired of the constant accusations on his person which are being made in the international and national media.

He has earlier been accused of involvement in the murder of two bodyguards of Jungle Commando leader Ronnie Brunswijk and the disappearance of four Tucayana rebels in the vast Suriname area. The minister has requested the president to order a judicial probe into these cases. Christopher yesterday said at a press conference that he was present during the arrest of two Jungle Commando members in March of last year but wasn't responsible for their death. They had resisted arrest and that resistance was broken, said Christopher, who has turned the head of the internal security service and military director at the cabinet of the military authority. [sentence as heard]

The minister regrets the incident but realizes that this doesn't leave the relatives of the rebels at ease. Yesterday he announced at the press conference that he will soon give a considerable amount of his salary to the relatives of the two persons.

President Kraag [words indistinct] on the request for resignation by the minister of defense.

Military Leaders Call Drug Charges 'Unfounded'

PY3007225691 Paramaribo Radio Suriname International in English 1730 GMT 30 Jul 91

[Text] The military authority is discussing accusations in the Dutch magazine pointing to them. The NRC commercial magazine has published a series of articles in which the Army leadership is being accused of involvement in the cocaine trade. The magazine also alleges that the North American Drug Enforcement Agency and the Dutch Government are for some time now negotiating about the fight against the transit cocaine trade via Suriname. The military authority says it is discussing the allegations, which are unfounded.

President (?Henck Haronbara) whose name was also mentioned is considering in the meantime various judicial advices regarding the accusation against him. He notes that in the past reactions were made to allegations

in the Dutch press on numerous occasions. The accusations are, however, continuing says (Haronbara), who is wondering if Suriname should keep on reacting on what he calls gutter journalism of some Dutch papers. He notes that a North American diplomat has confirmed to him that the North American Drug Enforcement Agency, DEA, didn't mention his name in the drug case as alleged by the NRC commercial magazine.

DEA Agents To Help Fight Against Drug Trade

PY2207192891 Paramaribo Radio Suriname International in English 1730 GMT 22 Jul 91

[Text] The daily DE WARE TIJD reports that some agents from the North American Drug Enforcement Agency are expected to arrive in Suriname this week. The arrival of the agents, according to the daily, is in connection with the help Suriname has requested from, among others, the American Government in the fight against the drug trade.

Vice President Jules Wijdenbosch has recently at a press conference announced radical measures against the drug trade because, according to him, this is taking on alarming proportions. Suriname has presented a note to some countries in which it requests assistance in the fight against the transit cocaine trade. And help can be given, according to [words indistinct] in the form of money, manpower, and equipment, while assistance in the form of training for Surinamese is also useful.

The agents from the North American Drug Enforcement Agency will in this framework arrive in Suriname this week, according to the daily DE WARE TIJD today.

Arrive for Informal Talks

PY2507210691 Paramaribo Radio Suriname International in English 1730 GMT 25 Jul 91

[Text] Three members of the American Drug Enforcement Agency [DEA] are on an orientation visit to Suriname. This visit is in connection with a request by the Surinamese Government to the United States of North America for support in the fight against the cocaine transit trade.

The three-men (?strong team) will in the coming two months among others hold informal discussions about the plan the interim cabinet has to fight the drugs. The North American government will, however, (?study) other arrangements in the area of the fight against drugs. They will wait until the new government is formed said a U.S. Embassy source in Paramaribo.

The Dutch Government, which has also received the request for support in the fight against drugs, will wait until the new cabinet in Suriname has been appointed.